IN THE

Supreme Court of the United States

OCTOBER TERM, 1948

No. 478

ROSCOE A. COFFMAN,
Petitioner,

v.

FEDERAL LABORATORIES, INC.,
Respondent,

UNITED STATES OF AMERICA,
Intervenor.

PETITION FOR WRIT OF CERTIORARI AND BRIEF IN SUPPORT THEREOF

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ROSCOE A. COFFMAN,

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FEDERAL LABORATORIES, INC.,

Respondent,

UNITED STATES OF AMERICA,

Intervenor.

Petition for a Writ of Certiorari to the Court of Appeals for the Third Circuit

To the Honorable the Chief Justice and the Associate Justices of the Supreme Court of the United States:

The petitioner, Roscoe A. Coffman, by his attorneys, respectfully prays that a writ of certiorari issue to review a judgment of the Court of Appeals for the Third Circuit entered on November 9, 1948, at No. 9545, affirming a judgment of the District Court for the Western District of Pennsylvania entered on October 10, 1947 in favor of the defendant.

This judgment denied plaintiff the right to recover royalties from his Licensee under a contract made in 1932 earned on plaintiff's inventions (a) before the Royalty Adjustment Act of 1942 was passed; (b) between the date of the passage of the Act and the issuance of Royalty Adjustment Notices; (c) in the period between the issuance of the Royalty Adjustment Notices and Royalty Adjustment Orders; and, finally, (d) after the Royalty Adjustment Orders were issued, on the ground that the Royalty Adjustment Act was constitutional under which plaintiff's royalties were taken by the United States, without, it is alleged, giving him just compensation therefor and without due process, in violation of the 5th Amendment.

Opinions Below

The findings of fact (except for Finding 14), conclusions of law and opinion of the District Court for the Western District of Pennsylvania are reported at 73 F. Supp. 409 and are printed in the record (R. 110a-121a*), where the unreported Finding 14 is also printed (R. 121a-122a). The opinion of the Court of Appeals for the Third Circuit is reported at—— F.(2d) —— and is printed in the record.

Jurisdiction

The jurisdiction of your Honorable Court is invoked under the Judicial Code, Title 28, United States Code §347, now See. 1254 (1).

* Unless otherwise noted, all record references are to the pages of the appendix for appellant in the Court of Appeals.

Statute Involved

The statute involved is the Royalty Adjustment Act of October 31, 1942, 56 Stat. 1013, 35 U. S. C. §§89-96. The full text of the Act is printed in the record (R. 130a-134a).

Section 1 of the Royalty Adjustment Act provides that "whenever an invention, whether patented or unpatented, shall be manufactured, used, sold, or otherwise disposed of for the United States, with license from the owner thereof or anyone having the right to grant licenses thereunder," the amounts of royalties payable to the licensor shall by order be fixed at such a figure as shall be determined by a government officer to be "fair and just, taking into account the conditions of wartime production." It further provides that the licensor of the invention "shall not have any remedy by way of suit, set-off, or other legal action against the licensee for the payment of any additional royalty remaining unpaid, or damages for breach of contract or otherwise." The licensee, who is thus relieved of liability under the license contract, is directed thereafter to charge to the United States no greater royalty than that which is allowed by the order, and Section 4 specifically adds that any reduction in royalties effected by order "shall inure to the benefit of the government by way of a corresponding reduction in the contract price * * * or by way of refund if already paid to the licensee."

Section 2 of the Act provides:

> "Any licensor aggrieved by any order issued pursuant to section 1 hereof, fixing and specifying the maximum rates or amounts of royalties under a license issued by him, may institute suit against the United States in the Court of Claims, or in the District Courts of the United States insofar as such

courts may have concurrent jurisdiction with the Court of Claims, to recover such sum, if any, as, when added to the royalties fixed and specified in such order, shall constitute fair and just compensation to the licensor for the manufacture, use, sale, or other disposition of the licensed invention for the United States, taking into account the conditions of wartime production. In any such suit the United States may avail itself of any and all defenses, general or special, that might be pleaded by a defendant in an action for infringement as set forth in title sixth of the Revised Statutes, or otherwise."

Section 7 of the Act provides in part:

"This Act shall apply to all royalties directly or indirectly charged or chargeable to the United States for any supplies, equipment, or materials to be delivered to or for the Government from and after the effective date of the notice provided for in section 1 hereof. This Act shall also apply to all royalties charged or chargeable directly or indirectly to the United States for supplies, equipment, or materials already delivered to or for the Government which royalties have not been paid to the licensor prior to the effective date of the notice provided for in section 1 hereof."

Statement

The petitioner is the inventor and patentee of the Coffman Starter, used for starting internal combustion engines, and of cartridges or shells to be used in such starters. On December 8, 1932, he entered into an agreement with the respondent, Federal Laboratories, Inc., granting it a non-assignable and exclusive license to make, use and sell devices and shells embodying the inventions set forth in his patents, respondent agreeing to pay him the sum of $5,000 on the first 200 devices made and a license fee or

royalty equal to 6% of respondent's net selling price on all devices, parts thereof and shells sold (R. 24a-34a).

The petitioner, on June 14, 1944, filed a complaint in the District Court for the Western District of Pennsylvania to recover royalties accrued and owing to him under the license agreement for each year from 1937 through December 31, 1943 (R. 12a-45a). On April 24, 1945, plaintiff filed a second complaint based on royalties accrued and unpaid during the period from January 1, 1943, through December 31, 1944 (R. 78a-81a). When the two actions came on for trial they were consolidated by order of the trial judge (R. 6a, 9a, 108a).

Before either of these cases was started plaintiff filed in the District Court of the United States, for the District of New Jersey, a suit against Breeze Corporations, Inc. (which had bought all of the stock of plaintiff's licensee, Federal Laboratories, Inc.), for an injunction to restrain it from paying any of plaintiff's royalties to the United States on the ground that the Royalty Adjustment Act was unconstitutional. The United States intervened and contended that there was no justiciable controversy as to the constitutionality of the Royalty Adjustment Act. A three-judge court held that plaintiff had an adequate remedy at law to sue his licensee for a money judgment for royalties, in which action the constitutionality of the Royalty Adjustment Act would be properly raised, and it denied plaintiff an injunction. This court affirmed the judgment of the three-judge court, and in an opinion by Chief Justice Stone (323 U. S. 316, 324) said:

> "In the circumstances disclosed by the record and for the purposes of the present suit, the constitutionality of the Act is without legal significance and can involve no justiciable question unless and until

> appellant seeks recovery of the royalties, and then only if appellee relies on the Act as a defense."

In its answer filed in the court below the defendant interposed as a defense the Royalty Adjustment Act and, more specifically, Royalty Adjustment Orders W-9 (R. 35a) and N-7 (R. 40a), issued by the War Department and Navy Department respectively pursuant to that Act. These Orders directed the respondent to pay no more than $8 per starter on starters manufactured for the United States and no royalties whatever on cartridges manufactured for the United States, "but not to exceed the sum of Fifty Thousand ($50,000) Dollars to be paid to Licensor in each calendar year commencing January 1, 1943 in respect of starters sold to or for the War Department and the Navy Department, added together" (R. 36a-37a, 41a-42a).

The respondent also disputed parts of the amounts due on other grounds not involving the Act or Orders or the validity of the patents. These non-constitutional defenses, however, went to a portion of the claim only, and the District Court below found as a fact that (R. 121a-122a)

> "If the Royalty Adjustment Act had not been passed, there would presently be due and owing to the plaintiff from the defendant, under the contract between the parties, royalties on starters which accrued during each of the following periods: the period from January 1, 1937, through October 30, 1942, the day previous to the day of enactment of the Royalty Adjustment Act; the period from the date of enactment of said Act through December 31, 1942; as to Navy business, the period from January 1, 1943, through February 23, 1943, the day previous to the date of receipt by plaintiff of the Navy Department

Royalty Adjustment Notice; as to Army business, the period from January 1, 1943, through March 2, 1943, the day previous to the date of receipt by plaintiff of the War Department Royalty Adjustment Notice; as to Navy business, the period from the date of receipt of the aforesaid Navy Department Notice through December 22, 1943, the day previous to the date of issuance of Navy Royalty Adjustment Order N-7; as to Army business, the period from the date of receipt of the aforesaid War Department Notice through December 17, 1947, the day previous to the issuance of War Department Royalty Adjustment Order W-9; as to Navy business, the period from the date of issuance of the aforesaid Navy Department Order N-7 through December 31, 1943; as to Army business, the period from the date of issuance of the aforesaid War Department Order W-9 through December 31, 1943; and the period from January 1, 1944, through December 31, 1944. Assuming the defendant's contention to be valid, that a commission of 25% was payable to Breeze Corporations, more than $8 per starter would nevertheless be due to plaintiff under the terms of the license agreement between plaintiff and defendant, except for the interposition of the Royalty Adjustment Act and the Orders made thereunder. As to this amount in excess of $8 per starter, which plaintiff claims for each of the above detailed periods, no defense has been interposed in this case except that which is based upon the Royalty Adjustment Act and Royalty Adjustment Orders N-7 and W-9."

As a result, the District Court found itself unable, by any disposition which it might make of the non-constitutional questions, to avoid the necessity for passing upon the constitutionality of the Royalty Adjustment Act and the Orders made thereunder. With one exception, hereafter to be noted, this inevitability of the constitu-

tional question occurred in the application of the Royalty Adjustment Act to royalties accrued (1) before the date of passage of the Act; (2) to royalties accrued between that date and the dates of Royalty Adjustment Notices issued pursuant to the Act; (3) to royalties accrued after the dates of the notices but before the dates of the Royalty Adjustment Orders, and (4) to royalties accrued after dates of the Orders.

The exception just referred to involved royalties due before January 1, 1943, being some of the royalties accrued before the dates of the Notices and all of the royalties accrued before the date of enactment of the Act. Petitioner contended that such royalties were not covered by the terms of the Royalty Adjustment Orders and, further, that respondent was estopped under principles of *res judicata* from contending otherwise. Among the royalties due and unpaid at the agreed rate of 6% prior to January 1, 1943, were certain royalties on cartridges manufactured to fill a particular Navy contract. Respondent claimed that by a supplemental agreement the petitioner had cut in half his royalties arising from this contract, but as to the remaining royalties of 3% on this particular contract respondent asserted no defense except that of the Royalty Adjustment Act and Orders. The petitioner, on October 31, 1944, moved for summary judgment for, *inter alia,* the amount of the 3% royalties as to which the respondent had raised only the defense under the Act and Orders (R. 66). On this motion affidavits were filed by both parties (R. 67a, 69a, 74a) and a hearing was had before two district judges (neither of them being the judge who ultimately presided at the trial) (R. 4a). On December 15, 1944, judgment was ordered to be entered in favor of the petitioner, the court reciting that there was

"no genuine issue as to any material fact that the defendant Federal Laboratories, Inc., is indebted to the plaintiff on account of royalties under the license agreement between them at least to the extent of $10,510.46 for the year 1942 * * * and that Royalty Adjustment Orders W-9 and N-7 allow said amounts to be paid to the plaintiff by said defendant, and that plaintiff is entitled to a judgment as a matter of law for that portion of his claim" (R. 76a). This "order for judgment" was amended on January 23, 1945, in a respect not presently material, pursuant to stipulation of the parties (R. 77a). On the same day judgment was entered pursuant to the order as amended, and on the following day the judgment was satisfied in full and so marked of record (R. 5a). No appeal was taken from this judgment.

The trial judge refused to accord the force of *res judicata* to the order for judgment which had been entered in the case more than two and one-half years before. He concluded that the Royalty Adjustment Orders were broad enough to cover royalties accrued prior to January 1, 1943. Having made this disposition of this non-constitutional issue, he found himself presented with a situation where he would be required to pass upon the constitutionality of the Royalty Adjustment Act and Orders in respect to every part of the case. He decided that the Royalty Adjustment Act was constitutional, and accordingly ordered judgment to be entered for the defendant (R. 123a). This judgment of the District Court was affirmed on appeal by the Court of Appeals, November 9, 1948.

Questions Presented

1. Do the Royalty Adjustment Act and the Orders made thereunder violate the Fifth Amendment by taking plaintiff's property without just compensation and by depriving plaintiff of property without due process of law?

2. Should the Royalty Adjustment Act be construed retroactively to apply to royalties due before the enactment of the Act?

3. Is the Royalty Adjustment Act constitutional if applied to royalties due before its enactment?

4. Is the Royalty Adjustment Act constitutional if applied to royalties due before the Royalty Adjustment Notices are given?

5. Is the Royalty Adjustment Act constitutional if applied to royalties due before the promulgation of Royalty Adjustment Orders?

6. In a suit brought under the Royalty Adjustment Act in the Court of Claims, could that court award to an aggrieved licensor the just compensation guaranteed by the Fifth Amendment?

7. Do Royalty Adjustment Orders W-9 and N-7 apply to royalties due before January 1, 1943?

8. Is an order for summary judgment in favor of a plaintiff, on which judgment has been entered, paid and satisfied of record and from which no appeal has been taken, *res judicata* in later proceedings in the same case and between the same parties, as to all questions of law expressly or necessarily involved therein, including any question as to the propriety of entering the summary judgment itself?

Reasons Relied on for the Allowance of the Writ

I

The Court of Appeals has decided an important question of federal law which has not been, but should be, settled by this Court. In *Coffman* v. *Breeze Corporations*, 323 U. S. 316, and *Coffman* v. *Federal Laboratories*, 323 U. S. 325, the latter an appeal in an earlier aspect of the present case, the question of the constitutionality of the Royalty Adjustment Act and the Royalty Adjustment Orders W-9 and N-7 was argued before the Court but not passed upon for jurisdictional reasons. In *Alma Motor Co.* v. *Timken-Detroit Axle Co.*, 329 U. S. 129, the issue as to the constitutionality of the Act was once more presented to and twice argued before the Court. See order for reargument at 65 S. Ct. 1190. But the cause was remanded to the court below because of its failure to pass upon a preliminary non-constitutional issue whose decision might obviate consideration of the constitutional question.

This Court, from its previous experience with cases involving the question of the constitutionality of the Royalty Adjustment Act, must appreciate the importance of the questions involved. The constitutional validity of the Royalty Adjustment Act is at last squarely raised in a justiciable controversy in which decision of the constitutional question is unavoidable. Litigation under the Royalty Adjustment Act involves large sums of money and important considerations of constitutional law arising under the just compensation and due process clauses of the Fifth Amendment. These constitutional considerations are set forth in concise form in the brief attached to this petition.

II

The Court of Appeals for the Third Circuit decided that the Royalty Adjustment Act was constitutionally applied to royalties accrued but unpaid at the time of the giving of notice to the patentee. This decision is in conflict with a decision on the same matter rendered five days earlier, on October 4, 1948, by the Court of Appeals for the Sixth Circuit in *Cold Metal Process Co.* v. *McLouth Steel Corp.*, 79 U. S. P. Q. 222.

In the *McLouth* case the Court of Appeals for the Sixth Circuit reversed a ruling by the district judge disallowing interest on royalties during the period of operation of a royalty adjustment notice. The royalties had accrued before the date of enactment of the Royalty Adjustment Act and were ultimately found to be due and owing to the Cold Metal Process Company. The McLouth Corporation denied liability for interest accruing on these royalties after August 19, 1943, the date of the royalty adjustment notice, directing it to pay no greater amounts to Cold Metal than those to be determined in a future royalty adjustment order. Chief Judge Hicks, delivering the opinion of the court, said (79 U. S. P. Q. 222, 231):

> "Nor do we see any reason, under the Royalty Adjustment Act, 35 U. S. C., Sec. 89 et seq., for suspending interest on the royalties between the dates indicated. There is nothing in the Act to show that its effect was retroactive, and there is no apparent reason for suspending interest on royalties which by the formula we have indicated were fixed, or became due, prior to the operation of the Act on August 19, 1943."

It has thus been expressly held in the Sixth Circuit, contrary to the decision of the Court of Appeals for the Third Circuit, that the Royalty Adjustment Act is inapplicable to sums which became due prior to the date of notice.

The Third Circuit's decision in this respect is, moreover, probably in conflict with applicable decisions of this Court. Section 1 of the Royalty Adjustment Act states that royalties may be adjusted only "whenever an invention, whether patented or unpatented, *shall be* manufactured, used, sold, or otherwise disposed of for the United States, with license from the owner thereof or anyone having the right to grant licenses thereunder." Section 7 makes the Act applicable to all royalties charged or chargeable to the United States for materials already delivered, "which royalties have not been paid to the licensor prior to the effective date of the notice." These two sections of the Act, when construed together, may properly be interpreted to limit the Act's retrospective effect, if the Act be in any part constitutional, to royalties accruing between the date of enactment of the Act and the date of a royalty adjustment notice. Any other interpretation conflicts with the unshaken theory of decisions of this Court beginning with *United States* v. *Heth*, 3 Cranch 399, 413, and most recently applied in *Claridge Apartments Co.* v. *Commissioner of Internal Revenue*, 323 U. S. 141, in which the Court said, in a unanimous opinion by Mr. Justice Rutledge, at page 164: "Retroactivity, even where permissible, is not favored, except upon the clearest mandate." For an example of how clear such a mandate must be to permit retroactive application of a statute, see *Shwab* v. *Doyle*, 258 U. S. 529, 534.

The retroactive application given to the Royalty Adjustment Act by the Court of Appeals for the Third Circuit is also probably in conflict with applicable decisions such as *Steamship Co.* v. *Joliffe*, 2 Wall. 450, 457-458; *Osborn* v. *Nicholson*, 13 Wall. 654, 662; *Koshkonong* v. *Burton*, 104 U. S. 668; 678-679; *Ettor* v. *City of Tacoma*, 228 U. S. 148, 156; *Forbes Pioneer Boat Line* v. *Board of Commissioners*, 258 U. S. 338, 339; *Danzer & Co.* v. *Gulf & Ship Island R. R. Co.*, 268 U. S. 633, 637; *Coombes* v. *Getz*, 285 U. S. 434; *Railroad Retirement Board* v. *Alton R. R. Co.*, 295 U. S. 330, 349-350, 354. These cases hold it to be a violation of the due process clause "to take away from a private party the right to recover the amount that is due when the act is passed": *Graham* v. *Goodcell*, 282 U. S. 409, 426.

A Court of Appeals decision which unnecessarily interprets the Royalty Adjustment Act in such a way as to give it a retroactive effect conflicts also with this Court's principle of adopting that construction of a statute which will avoid constitutional doubts: *United States* v. *Congress of Industrial Organizations*, 335 U. S. 106, 120-121, and cases cited in note 26, and concurring opinion at page 129.

III

The Court of Appeals for the Third Circuit decided that the decision of the District Court could properly be affirmed on the ground that "Until the patentee sees what the Court of Claims is going to give him, we do not see how he is in a position to say that his wings are unconstitutionally clipped". This decision of the Court of Appeals conflicts with applicable decisions of this Court, particularly with the earlier decision in this case: *Coff-*

man v. *Federal Laboratories*, 323 U. S. 325. This Court held that petitioner could not obtain an injunction against compliance with the Royalty Adjustment Act because an adequate remedy at law existed. But it noted that, though the prayer for an injunction had properly been denied, the answer subsequently filed by the defendant had set up the royalty adjustment orders as a defense. A unanimous Court, in the opinion by Chief Justice Stone at 323 U. S. 325, 327, said:

> "Since the allegations were stricken, appellee Federal has answered setting up as a separate defense the royalty adjustment orders prohibiting payment of the royalties to appellant [Coffman]. *Upon that issue* appellant will be *free to contest the constitutional validity* of the orders." (Emphasis added.)

Thus in this very case the Court has specifically said that petitioner is entitled, under the circumstances now present, to a decision on the constitutional validity of the orders. Similarly, in the companion case, *Coffman* v. *Breeze Corporations, Inc.*, 323 U. S. 316, the Court said, at p. 322, that when a licensee has set up the Royalty Adjustment Act as a defense, constitutional validity "would be a justiciable issue in the case, since upon its adjudication would depend appellant's (the present petitioner's) right of recovery." Similar applicable rulings are to be found in *Alma Motor Co.* v. *Timken-Detroit Axle Co.*, 329 U. S. 129, at 138, and *Aircraft & Diesel Equipment Corp.* v. *Hirsch*, 331 U. S. 752, at 754-755, 775-776, 777 (footnote 41).

The Court of Appeals' decision further conflicts with a long line of applicable decisions of this Court which hold that suits against the Government can succeed only subject to the restrictions and limitations imposed by the Act of Congress which permits the particular remedy in

derogation of sovereign immunity. Under such cases as *DeGroot* v. *United States*, 5 Wall. 419, 431-433; *Schillinger* v. *United States*, 155 U. S. 163, 166, 168; *Price* v. *United States*, 174 U. S. 373, 375-376; *Reid* v. *United States*, 211 U. S. 529, 538; *United States* v. *Babcock*, 250 U. S. 328, 331; and *United States* v. *Sherwood*, 312 U. S. 584, 586, it is clear that if the petitioner were to sue in the Court of Claims under the Royalty Adjustment Act, that court could grant him not just compensation for the royalties taken but only "fair and just compensation • • • taking into account the conditions of war-time production" and would be required to deny to the petitioner the benefit of his licensee's contractual obligation not to contest validity. The cases, and in particular *Great Falls Mfg. Co.* v. *Attorney General*, 124 U. S. 581, 600, further make clear that the petitioner, by the very act of suing in the Court of Claims under the Royalty Adjustment Act, would voluntarily accept the provisions of the Act and the offer of the Government to have the amount of compensation fixed by that court, and would thus lose his right to contest the Act's constitutionality.

Before the passage of the Royalty Adjustment Act the petitioner had no claim against the United States. Since the passage of the Act, if it is constitutional, he has no claim against his licensee on his contract for the royalties reserved. He has no right left, if the Act is constitutional, except that given to him by the Act. The right to sue in the Court of Claims given by the Act is limited. If the limitation is unconstitutional, still he cannot sue the sovereign for a greater amount than that for which he is permitted to sue by the Act. If the Act is unconstitutional in limiting the compensation payable to him, the Court of Claims nevertheless cannot give him any greater compensation for that which is taken from him. His only right to sue the United States is derived from the Act, and the

recovery allowed in such a suit can rise no higher than its source. Since that recovery does not reach the constitutional requirement of just compensation, if the Court of Claims is free to hold and should hold that his property was not constitutionally taken from him, the best that it could do for him would be to remit him to the very action against his licensee in which he is now petitioning for a writ of certiorari. And if he had voluntarily sued in the Court of Claims without a decision as to the Act's unconstitutionality, he would have accepted the benefit of the Act *cum onere*.

IV

Basing its view on an interpretation of Rules of Civil Procedure 54 and 56, the Court of Appeals decided that the summary judgment obtained by the petitioner in this case did not at the time of its entry become final for the purposes of appeal and did not have the effect of a final judgment, and therefore was not to be given the force of *res judicata* as to its interpretation that the royalty adjustment orders were not retroactive. This decision by the Court of Appeals for the Third Circuit is in conflict with decisions of other Courts of Appeals on the same matter, and presents an important question as to the interpretation of the Federal Rules which has not been, but should be, settled by this Court.

In *Biggins* v. *Oltmer Iron Works*, 154 F. (2d) 214, the Court of Appeals for the Seventh Circuit, on March 1, 1946, denied a motion to dismiss a defendant's appeal from a partial summary judgment which had been entered as to two out of five items of a claim for compensation for services rendered as a sales representative during a period of sixteen months. In that case, as in the case at bar, the court was of the opinion that Rules 54 and 56 did not

permit the entry of such a summary judgment. In the case at bar the Court of Appeals concluded that the judgment was not final, but in the case in the Seventh Circuit the court decided that a judgment rendered in contravention of, and not in conformity with, the Rules should be held final and appealable. 154 F. (2d) 214, 217-218. In the latter case execution had not been effected under the summary judgment, while in the case at bar payment of the judgment had been obtained and satisfaction noted of record.

A similar conflict exists between the Third Circuit's decision and that of the Court of Appeals for the Tenth Circuit in *Kasishke* v. *Baker*, 144 F. (2d) 384, which was decided in 1944 and in which certiorari was denied by this Court at 325 U. S. 856. In that case the court denied a motion to dismiss an appeal from a partial judgment decreeing that the plaintiff should recover a ten per cent interest in all properties acquired by the defendants during a certain period, but deferring to a later date the entry of "an order for an accounting for the purpose of determining the amount of money judgment to be entered for plaintiff, if any, and for the purpose of ascertaining what additional properties, if any, are covered by such ten per cent interest" (144 F. (2d) 384, 385).

The decision of the Court of Appeals in the case at bar was based on its conclusion that in the circumstances "a judgment could not be entered under Rule 54(b)". But since the summary judgment actually *was* entered, and since no appeal therefrom was taken, even if the District Court had entered its final judgment on the rest of the case, the decision is probably in conflict with decisions of this Court in which it has been established that a judgment is *res judicata* not only as to ordinary issues of fact and of law but also as to the procedural and jurisdictional issues of law necessarily involved therein, regardless of whether the court which entered the judgment

properly interpreted the law: *Baldwin* v. *Iowa State Traveling Men's Assn.*, 283 U. S. 522, 524-526; *American Surety Co.* v. *Baldwin*, 287 U. S. 156, 166-167; *Stoll* v. *Gottlieb*, 305 U. S. 165, 171-177; *Chicot County Drainage District* v. *Baxter State Bank*, 308 U. S. 371, 376-378; *Angel* v. *Bullington*, 330 U. S. 183, 192-193; *Sherrer* v. *Sherrer*, 334 U. S. 343, 349-350.

Whether a summary judgment should have any different effect as *res judicata* in the case in which it was entered than would a judgment in an independent suit between the same parties is an important question of federal law which has not been squarely ruled on by this Court but should be settled by it. Since there is no controlling difference of quality or dignity between a summary judgment which is both payable and paid and the final judgment in a suit, the Court of Appeals' decision is probably in conflict with decisions of this Court which give a judgment the force of *res judicata* as to issues of law involved: *Tioga R. R.* v. *Blossburg and Corning R. R.*, 20 Wall. 137, 142-143; *American Express Co.* v. *Mullins*, 212 U. S. 311, 314; *United States* v. *Moser*, 266 U. S. 236, 240-241; *Fishgold* v. *Sullivan Drydock & Repair Corp.*, 328 U. S. 275, 282-283.

WHEREFORE, the petitioner prays that a writ of certiorari issue to review the judgment of the Court of Appeals for the Third Circuit, that the said judgment be reversed, and that such other and further relief be granted as may seem proper.

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Attorneys for Petitioner.

December 23, 1948.

IN THE

Supreme Court of the United States

OCTOBER TERM, 1948

No. .....

ROSCOE A. COFFMAN,
Petitioner,

v.

FEDERAL LABORATORIES, INC.,
Respondent,

UNITED STATES OF AMERICA,
Intervenor.

BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI

There are set forth in the foregoing petition and incorporated at this point by reference statements as to the opinions of the courts below (p. 2), the grounds upon which the jurisdiction of this Court is invoked (p. 2), the statute involved (p. 3), and the material facts.

ARGUMENT

1. The Court of Appeals, in holding that the Royalty Adjustment Act does not violate the just compensation and due process clauses of the Fifth Amendment, has decided incorrectly an important question of federal law which should be settled by this Court.

In its opinion the Court of Appeals for the Third Circuit took the position that the United States, under the Royalty Adjustment Act, could constitutionally appropriate a licensor's rights and give him in exchange only such compensation as the Court of Claims might award him, "taking into account the conditions of wartime production"; recovery in the Court of Claims was thus to be reduced in the light of increased wartime requirements and might further be reduced to absolutely nothing if the Government could successfully persuade that court of the invalidity of the patent, a defense which the petitioner's licensee was contractually estopped from interposing. It is submitted that in reaching its conclusion the Court of Appeals failed properly to apply the due process clause and also the uncompromising requirements of the just compensation clause of the Fifth Amendment. This important decision as to the construction and application of the Constitution of the United States should be reviewed and reversed by this Court.

The decision of the Court of Appeals recognizes that the effect of the Royalty Adjustment Act is to take private property for public use. What is the property taken? The Court of Appeals seeks to analogize the Royalty Adjustment Act to the Act of 1910, 36 Stat. 851, as

amended in 1918, 40 Stat. 705, 35 U. S. C. §68, which permitted unlicensed manufacture of patented articles for the United States but gave the patentee a right to recover reasonable and entire compensation, without diminution or qualification of any kind, in the Court of Claims. The Court of Appeals says that the fact that the Royalty Adjustment Act is applicable to licensed inventions (patented or unpatented) does not change the picture. We submit that the picture *is* changed, and that, whereas the Act of 1910, as amended, was designed to give just compensation, the Royalty Adjustment Act gives something less than just compensation.

Before the enactment of the Royalty Adjustment Act the petitioner was entitled to royalties from the respondent on a fixed scale. The Act purports to take away petitioner's right to recover part or all of these royalties from respondent (Section 1) and to have them covered into the Treasury of the United States (Section 4). In return the Act allows the petitioner to get back a designedly smaller amount than that to which he is entitled by his contract (Section 2). Such was not the purpose of the Act of 1910, as amended, *supra*. In *Richmond Screw Anchor Co.* v. *United States*, 275 U. S. 331, 345-346, it was made abundantly clear that the latter Act was constitutional only because it gave to a patentee the exact monetary equivalent of what he was entitled to before the enactment of the Act, including the valuable right to assign to a third party his claim for money. The Royalty Adjustment Act is by the same test unconstitutional, because it deprives petitioner of the full and perfect equivalent in money of that which was taken from him.

Under the Royalty Adjustment Act the Government attempts to place itself not in the position of a compulsory licensee under petitioner's patent but in the shoes

of the petitioner himself as the respondent's licensor. If the Government were making itself a licensee, the Act could not, as it purports to do, cover into its own treasury royalties under the royalty agreement which were due and unpaid at the time when a royalty adjustment notice was issued: for the use of the devices sold before the royalty adjustment notice was issued no license was needed, because they had already passed beyond the monopoly of the patent. *Adams* v. *Burke*, 17 Wall. 453, 456; *United States* v. *Univis Lens Co.*, 316 U. S. 241, 250; *United States* v. *Masonite Corp.*, 316 U. S. 265, 277-278. The Royalty Adjustment Act unequivocally seeks to put the United States in the position of the licensor at the royalty-receiving end of the subsisting license agreement, and then, after taking the royalties under that agreement, seeks to give the licensor something less than that which it has taken.

When the Act attempts to take money by eminent domain, solely for the purpose of revenue to the Government, it violates the due process clause of the Fifth Amendment. The authorities are clear to the effect that money and rights to money cannot be taken under eminent domain except in a case of extreme peril which did not here exist. *Cooley, Constitutional Limitations*, 8th ed., Vol. 2, pp. 1113, 1118 note; *Buckingham* v. *Smith*, 10 Ohio 288, 296-297 (1840); *People* v. *Mayor, &c. of Brooklyn*, 4 N. Y. 419, 424-425 (1851) (cited with approval in *Houck* v. *Little River Drainage District*, 239 U. S. 254, 265); *Burnett* v. *Mayor, etc. of the City of Sacramento*, 12 Cal. 76, 83 (1859); *Emery* v. *San Francisco Gas Co.*, 28 Cal. 345, 350 (1865); *Hammett* v. *Philadelphia*, 65 Pa. 146, 152-153 (1870); *Cary Library* v. *Bliss*, 151 Mass. 364, 379 (1890; *cf. Mitchell* v. *Harmony*, 13 How. 115, 134 (1851).

Even if the attempt were made to justify the Act as an exercise of the taxing power, despite the fact that it originated not in the House of Representatives but in the Senate (Congressional Record, Vol. 88, pp. 8215, 8546, 8662, 8703; *cf.* Constitution, Art. I, Sec. 7), the due process clause would nonetheless be violated, since the alleged "tax" would be so arbitrary and capricious as to amount to confiscation. *Nichols* v. *Coolidge*, 274 U. S. 531; *Blodgett* v. *Holden*, 275 U. S. 142; *Untermyer* v. *Anderson*, 276 U. S. 440; *Heiner* v. *Donnan*, 285 U. S. 312. See also *Chicago, etc., R. R. Co.* v. *Chicago*, 166 U. S. 226, 241, 246; *Barclay & Co.* v. *Edwards*, 267 U. S. 442, 450; *Schlesinger* v. *Wisconsin*, 270 U. S. 230, 239-240; *Helvering* v. *City Bank Farmers Trust Co.*, 296 U. S. 85, 92.

A fuller exposition of our argument as to the unconstitutionality of taking money by eminent domain and as to the impropriety of considering the Royalty Adjustment Act as a taxing act is to be found in pp. 33-46 of our brief as *amici curiae* filed at the first argument, at No. 806 October Term, 1944, of *Alma Motor Co.* v. *Timken-Detroit Axle Co.*, 329 U. S. 129. Why the Royalty Adjustment Act violates the due process clause insofar as it is retroactively applied is discussed in the second section of this brief.

The Royalty Adjustment Act not only violates the due process clause of the Fifth Amendment; it also violates the just compensation clause of that amendment, because it tenders in return for the money and right to money which it takes, a right to recover a lesser amount of money. When the United States takes a contract right to royalties by eminent domain, it must pay as just compensation "the sum which * * * probably could have been obtained for the assignment of the contract": *Brooks-Scanlon Corp.* v. *United States*, 265 U. S. 106, 123-124. In

the leading case under the just compensation clause, *Monongahela Navigation Co.* v. *United States*, 148 U. S. 312, Mr. Justice Brewer, delivering the opinion of the Court, said (pp. 325-326):

> "The language used in the Fifth Amendment in respect to this matter is happily chosen. The entire amendment is a series of negations, denials of right or power in the government, the last, the one in point here, being, 'Nor shall private property be taken for public use without just compensation.' The noun 'compensation', standing by itself, carries the idea of an equivalent. Thus we speak of damages by way of compensation, or compensatory damages, as distinguished from punitive or exemplary damages, the former being the equivalent for the injury done, and the latter imposed by way of punishment. So that if the adjective 'just' had been omitted, and the provision was simply that property should not be taken without compensation, the natural import of the language would be that the compensation should be the equivalent of the property. And this is made emphatic by the adjective 'just'. There can, in view of the combination of those two words, be no doubt that the compensation must be a full and perfect equivalent for the property taken."

What is the "full and perfect equivalent" of the plaintiff's moneys due and contract rights in the case at bar? It is nothing less than the monetary value of his contract. Because the Royalty Adjustment Act seeks to give him less than this "full and perfect equivalent," it is unconstitutional as a denial of just compensation.

The *Monongahela Navigation Co.* case is just one of a long line of cases to a like effect. See, *e.g.*, *United States* v. *Chandler-Dunbar Co.*, 229 U. S. 53; *United States* v. *Rogers*, 255 U. S. 163; *Seaboard Air Line Ry.*

Co. v. *United States,* 261 U. S. 299, 304; *Brooks-Scanlon Corp.* v. *United States,* 265 U. S. 106, 121, 123-124, 125-126; *United States* v. *New River Collieries Co.,* 262 U. S. 341; *Davis* v. *Newton Coal Co.,* 267 U. S. 292; *Liggett & Myers Tobacco Co.* v. *United States,* 274 U. S. 215; *Phelps* v. *United States,* 274 U. S. 341; *Richmond Screw Anchor Co.* v. *United States,* 275 U. S. 331; *Waite* v. *United States,* 282 U. S. 508; *Russian Volunteer Fleet* v. *United States,* 282 U. S. 481; *Jacobs* v. *United States,* 290 U. S. 13, 16-17; *Olson* v. *United States,* 292 U. S. 246; *Great Northern Ry. Co.* v. *Weeks,* 297 U. S. 135; *Baltimore & Ohio R. R. Co.* v. *United States,* 298 U. S. 349, 365; *United States* v. *Klamath & Moadoc Tribes,* 304 U. S. 119; *United States* v. *Miller,* 317 U. S. 369, 373-374; *United States* v. *General Motors Corp.,* 323 U. S. 373, 377-379.

The cases cited show conclusively that when there is a taking by the Government, the just compensation to which the owner is entitled cannot constitutionally be "adjusted", *i.e.,* taken away in whole or in part. It is respectfully submitted that contract rights taken for public use must be compensated for by their full and perfect equivalent in money, and that no power of the Government can override this clear requirement of the Fifth Amendment. All the other powers of Congress, including the war power, are subject to the restrictions of this Amendment. *Monongahela Navigation Co.* v. *United States,* 148 U. S. 312, 336; *United States* v. *Lynah,* 188 U. S. 445, 465; *United States* v. *Cress,* 243 U. S. 316, 320. The Renegotiation Cases may be distinguished from the case at bar, which the Court of Appeals itself admits involves a taking, because the Renegotiation Act involved no taking of private property for public use. *Lichter* v. *United States,* 334 U. S. 742,

787-788. The opinions in a case, *United States* v. *John J. Felin & Co.*, 334 U. S. 624, decided the same day as the Renegotiation Cases persuasively show that the Government cannot take private property for public use without paying for it the full and perfect equivalent in money, preferably measured by the market price of what is taken (see pp. 629-630, 644-646, 651-652). When money or the right to take money is taken, its full and just equivalent, its "market price," is an equivalent amount of money.

In our brief as *amici curiae* in the *Alma Motor* case, *supra*, at No. 806 October Term, 1944, we have set forth at greater length (pp. 4-32) our argument as to why the Court of Appeals, both in that case and in this, has ignored the requirements of the Fifth Amendment. Its decision should be reversed.

2. The decision of the Court of Appeals, in holding that the Royalty Adjustment Act should be retroactively applied, is in conflict with a decision of the Court of Appeals for the Sixth Circuit and is erroneous.

The Court of Appeals for the Third Circuit unqualifiedly sustained "the constitutionality of applying the Act to royalties accrued but unpaid at the time of giving of notice to the patentee." As has already been explained in the foregoing petition for certiorari (p. 12), this conflicts with the view of the Court of Appeals for the Sixth Circuit in *Cold Metal Process Co.* v. *McLouth Steel Corp.*, 79 U. S. P. Q. 222, 231, where it was said that "There is nothing in the Act to show that its effect was retroactive" so as to affect royalties accrued prior to the date of a royalty adjustment notice. The con-

flict between the circuits has been sufficiently demonstrated in the petition for certiorari. It is submitted that the view taken in the Sixth Circuit is correct and that the decision in the case at bar is erroneous.

The language of Section 1 of the Royalty Adjustment Act is clearly prospective: The Act permits royalties to be adjusted only "whenever the invention, whether patented or unpatented, *shall be* manufactured, used, sold, or otherwise disposed of for the United States, with license from the owner thereof or anyone having the right to grant licenses thereunder." Though Section 7 purports to make the Act applicable to such royalties as "have not been paid to the licensor prior to the effective date of the notice provided for in Section 1 hereof," its language does not necessarily cover anything other than royalties accruing between the date of enactment of the Act and the date of a royalty adjustment notice. It is only by ignoring the prospective language of the Act that it can be considered to cover royalties accrued before the date of its enactment.

"Words in a statute ought not to have a retrospective operation, unless they are so clear, strong and imperative, that no other meaning can be annexed to them, or unless the intention of the legislature cannot be otherwise satisfied. This rule ought especially to be adhered to, when such a construction will alter the pre-existing situation of parties, or will affect or interfere with their antecedent rights, services and remuneration; which is so obviously improper, that nothing ought to uphold and vindicate the interpretation, but the unequivocal and inflexible import of the terms, and the manifest intention of the legislature." *United States* v. *Heth*, 3 Cranch 399, 413. This rule of statutory construction, so forcefully expressed as early as 1806, has been con-

sistently adhered to ever since in the decisions of this Court: outstanding instances may be found in *Reynolds* v. *McArthur*, 2 Pet. 417, 434; *Murray* v. *Gibson*, 15 How. 421, 423; *Southwestern Coal Co.* v. *McBride*, 185 U. S. 499, 503-504; *Shwab* v. *Doyle*, 258 U. S. 529, 534; and *Claridge Apartments Co.* v. *Commissioner of Internal Revenue*, 323 U. S. 141, 164.

The opinion of the Court of Appeals seeks to justify the retroactive application of the Royalty Adjustment Act by reference to *Lichter* v. *United States*, 334 U. S. 742. The language of the Renegotiation Acts, however, is entirely different from the language of the Royalty Adjustment Act. In the Royalty Adjustment Act the language, as we have seen (Section 7), makes the Act applicable to royalties which "have not been paid to the licensor prior to the effective date of the notice provided for in Section 1," and Section 1 uses language clearly prospective. The renegotiation provisions are clearly retrospective. They are set forth in the appendix to the opinion in the *Lichter* case. Section 403(c) of the Act of April 28, 1942 (334 U. S. 794), is made "applicable to all contracts and subcontracts hereafter made and to all contracts and subcontracts heretofore made," that is, made before the enactment of the Act. Section 801 of the Revenue Act of 1942, amending this provision, contains exactly the same language (334 U. S. 797-798). Section 701(b) of the Revenue Act of 1943, further amending the renegotiation provisions, is made "applicable to all contracts and subcontracts, to the extent of amounts received or accrued thereunder in any fiscal year ending after June 30, 1943, whether such contracts or subcontracts were made on, prior to, or after the date of the enactment of the Revenue Act of 1943" (26 U. S. C. A., Internal Revenue Acts Beginning 1940, p. 499).

If the Royalty Adjustment Act had been applied to royalties which had accrued before the date of its enactment and to royalties accrued before the dates of royalty adjustment notices and royalty adjustment orders, we submit that it would be unconstitutional under a long line of cases which hold that a statute violates the due process clause if it divests vested property rights, acting directly to that end and not as an incident of some broader general policy. Several of these cases are cited in the foregoing petition for certiorari at p. 14. We may add that though taxation, which is imposed in return for protection afforded by the sovereign, may frequently be retroactive, even in this field due process has been held to be violated by taxes retroactively imposed on transactions as to which taxpayers could not foresee that by engaging in them they would become liable for tax. *Nichols* v. *Coolidge*, 274 U. S. 531; *Blodgett* v. *Holden*, 275 U. S. 142; *Untermyer* v. *Anderson*, 276 U. S. 440; *Coolidge* v. *Long*, 282 U. S. 582. See also *Levy* v. *Wardell*, 258 U. S. 542, 544-545; *Helvering* v. *Helmholz*, 296 U. S. 93, 97-98; *White* v. *Poor*, 296 U. S. 98, 102.

If it were possible under sound principles of statutory construction to give a retroactive interpretation to the Royalty Adjustment Act, and if it were not clear that such an application of the Act would violate the due process clause of the Fifth Amendment, the Court should adopt that reasonable construction of the Act which would avoid constitutional doubts. "The obligation rests also upon this Court in construing congressional enactments to take care to interpret them so as to avoid a danger of unconstitutionality": *United States* v. *Congress of Industrial Organizations*, 335 U. S. 106, 120-121; and see cases cited in Note 20, and concurring opinion at p. 129.

Fuller exposition of the propositions of law which have been set forth in this section of this brief is to be found at pp. 8-38 of the supplemental brief of *amici curiae* filed at No. 11 October Term, 1946, on the reargument of *Alma Motor Co.* v. *Timken-Detroit Axle Co.*, 329 U. S. 129. On the basis of the arguments made there and here it is submitted that the decision of the Court of Appeals in this case should be reversed.

3. The decision of the Court of Appeals that the petitioner should not be permitted to question the constitutionality of the Royalty Adjustment Act until he has sued the United States in the Court of Claims conflicts with applicable decisions of this Court and should be reversed.

The Court of Appeals said in its opinion

> "• • • we have no way of knowing ahead of time what disposition the Court of Claims will make in Coffman's case or any other. We can conceive a case where conditions of wartime production might, in fairness, require adherence to the original license terms. Possibly a case may exist where conditions of wartime production might call for more than the price stipulated in the license agreement. Until the patentee sees what the Court of Claims is going to give him, we do not see how he is in a position to say that his wings are unconstitutionally clipped."

On this basis it was said that the decision of the District Court might properly be affirmed. It is submitted that a consideration of the Royalty Adjustment Act itself and of controlling decisions in this Court demonstrate this view to be erroneous and reversible.

The purpose of the Royalty Adjustment Act is to reduce the royalties to be paid under petitioner's contract and to require that the amount by which they are reduced be paid to the United States. In a suit in the Court of Claims, that court is required by the Act, in fixing the amount of royalties, to take into account the conditions of wartime production, and also to consider, if such a defense be interposed, the invalidity of the licensor's patent (Section 2). These limits imposed by the Act are clearly designed to prevent collection of the full contract royalties. Congress did not intend the Act to be a nullity. If the Court of Claims could ignore the special limitations on recovery which Congress attempted to impose, it should give the petitioner, as we have shown, simply the amount of royalties which the contract called for: the amount of royalty adjustment would be paid to the United States by the licensee, and the same amount of money would be recovered by the licensor in the Court of Claims. Such unnecessary circuity could not have been intended by any reasonable legislature. The obvious purpose and effect of the Act, if constitutional, is to give a licensor far less than that to which his license agreement entitles him. It is for this reason that we insist that the Royalty Adjustment Act is unconstitutional.

If the Act should be stricken down as unconstitutional, the petitioner would have no standing to sue the United States in the Court of Claims. His sole means of recovering his contract royalties would necessarily be by a suit against his licensor; the United States would not be in the picture at all. Recognizing this situation, this Court in this very case has already ruled that petitioner may contest the constitutional validity of the royalty adjustment orders: *Coffman* v. *Federal Laboratories*, 323 U. S. 325, 327. When a licensor sues his licensee, and the

latter interposes the Royalty Adjustment Act as a defense, the licensor may demur to the validity of that defense. If the Act be constitutional and applicable, such demurrer could not be sustained; but if the Act be unconstitutional, the licensor is naturally entitled to recover as though the Act had never been enacted. When the provisions of the Royalty Adjustment Act are set up as a defense, "the constitutional validity of these provisions of the Act would be a justiciable issue in the case, since upon its adjudication would depend appellant's (the licensor's) right of recovery": *Coffman* v. *Breeze Corporations*, 323 U. S. 316, 322. See also *Alma Motor Co.* v. *Timken-Detroit Axle Co.*, 329 U. S. 129, 138, and *Aircraft & Diesel Equipment Corp.* v. *Hirsch*, 331 U. S. 752, 754-755, 775-776, 777 (footnote 41).

The decision of the Court of Appeals is based on an assumption that if the petitioner sued in the Court of Claims, the latter court would be free to ignore the limitations on recovery specified in Section 2 of the Royalty Adjustment Act. But it clearly appears from a long line of decisions in this Court that the Court of Claims could allow recovery to the petitioner only subject to the restrictions and limitations imposed by the Act of Congress permitting a remedy against the sovereign. "The United States cannot be sued in their courts without their consent, and in granting such consent Congress has an absolute discretion to specify the cases and contingencies in which the liability of the Government is submitted to the courts for judicial determination. Beyond the letter of such consent, the courts may not go, no matter how beneficial they may deem or in fact might be their possession of a larger jurisdiction over the liabilities of the Government." *Schillinger* v. *United States*, 155 U. S. 163, 166. When Congress in a statute creates a right against the

United States and provides a special remedy, that remedy is exclusive and can be granted only within the specific limits prescribed by the statute. *DeGroot* v. *United States,* 5 Wall. 419, 431-433; *Nichols* v. *United States,* 7 Wall. 122, 126; *Elgee Cotton Cases,* 22 Wall. 180, 185-186; *McElrath* v. *United States,* 102 U. S. 426, 440; *United States* v. *Lee,* 106 U. S. 196, 205; *Arnson* v. *Murphy,* 109 U. S. 238, 243; *Great Falls Mfg. Co.* v. *Attorney General,* 124 U. S. 581, 598-600; *Price* v. *United States,* 174 U. S. 373, 375-376; *Reid* v. *United States,* 211 U. S. 529, 538; *Juragua Iron Co.* v. *United States,* 212 U. S. 297, 302-303, 309; *United States* v. *Babcock,* 250 U. S. 328, 331; *Banco Mexicano de Commercio e Industria* v. *Deutsche Bank,* 263 U. S. 591, 602-603; *Davis* v. *Donovan,* 265 U. S. 257, 263; *Nassau Smelting & Refining Works* v. *United States,* 266 U. S. 101, 107-108; *Luckenbach S. S. Co.* v. *United States,* 272 U. S. 533, 536; *Munro* v. *United States,* 303 U. S. 36, 41; *United States* v. *Sherwood,* 312 U. S. 584, 586.

As we have further shown in the petition for certiorari, if petitioner were to pursue the statutory remedy against the United States which is tendered to him by the Royalty Adjustment Act, he would bar himself from contesting the constitutionality of the Act either in the Court of Claims or anywhere else, since he could then be charged with having chosen "to accept the offer of the Government to have the amount of compensation fixed by the Court of Claims, according to its peculiar modes of procedure" and subject to the limitations placed on the Court of Claims by the Act: *Great Falls Mfg. Co.* v. *Attorney General,* 124 U. S. 581, 600; *South Carolina* v. *Gaillard,* 101 U. S. 433, 436; *Electric Co.* v. *Dow,* 166 U. S. 489, 492; *Wall* v. *Parrot Silver & Copper Co.,* 244 U. S. 407, 411-412; *Hurley* v. *Comm'n of Fisheries,* 257 U. S. 223, 225.

Since this Court, on the first appeal in this case, unequivocally held that the petitioner had chosen the proper forum in which to contest the constitutionality of the Royalty Adjustment Act, and since this ruling is in accord with a long line of undisputed precedents, the Third Circuit's decision to the contrary is erroneous. It should be reversed.

4. The decision of the Court of Appeals that the summary judgment obtained by petitioner was not final and cannot be given the force of *res judicata* conflicts with decisions in other circuits, is probably in conflict with decisions of this Court and presents an important question which should be settled by this Court.

Except in the case at bar, neither this Court nor any other appears ever to have been presented with the question whether a partial summary judgment, which has been paid and satisfied of record, can have the effect of collateral estoppel as to a question of law involved in the final judgment in the same case. The summary judgment*

---

*ORDER FOR JUDGMENT

And now, to wit, December 15, 1944, the plaintiff's motion for summary judgment for a portion of his claim having regularly come on for argument, after hearing all parties and due consideration, it appearing from the pleadings, admissions and affidavits on file that there is no genuine issue as to any material fact that the defendant Federal Laboratories, Inc., is indebted to the plaintiff on account of royalties under the license agreement between them at least to the extent of $10,510.46 for the year 1942 and at least $28,236.10 for the year 1943, and that **Royalty Adjustment Orders W-9 and N-7 allow said amounts to be paid to the plaintiff by said defendant,** and that plaintiff is entitled to a judgment as a matter of law for that portion of his claim, it is hereby ORDERED, ADJUDGED AND DECREED that judgment be and it hereby is entered in favor of the plaintiff and against the defendant Federal Laboratories, Inc. for $38,746.56, with interest on the sum of $10,510.46 from December 31, 1942, and on the sum of $28,236.10 from December 31, 1943, without prejudice to the plaintiff's right to proceed for the balance of his claim.

By the Court
G

(Emphasis added.)

(Ap. Ap. 76a)

in the case at bar gave plaintiff judgment for certain royalties earned in 1941 and 1942, the effect of which was to determine that the Act and royalty orders were not retroactive. The Third Circuit held that this summary judgment was not final, and therefore denied it the force of *res judicata*. This decision as to its finality is in conflict with decisions in other Circuits. It also conflicts, we submit, with applicable decisions of this Court. When properly given effect as a final judgment, the summary judgment's interpretation of the royalty adjustment orders requires under the controlling precedents in this Court a reversal of the decision of the Court of Appeals for the Third Circuit.

The Court of Appeals considered that Rules of Civil Procedure 54 and 56 required a holding that the summary judgment was not final. This view has been shown, at p. 17, of the foregoing petition for certiorari, to run counter to the opinions of other Courts of Appeals, particularly that in *Biggins* v. *Oltmer Iron Works*, 154 F. (2d) 214, 217-218 (C. A. 7, 1946).

The District Court, when it entered the summary judgment, necessarily decided that under the law, including the Rules of Civil Procedure, it had jurisdiction to enter a partial summary judgment which was final and appealable. If the District Court's decision as to its jurisdiction was wrong, the respondent should have appealed from it. The respondent did not appeal, but, rather, by paying the judgment, acquiesced in the District Court's disposition of this jurisdictional question. The judgment became *res judicata* not only as to issues involved on the merits but also as to the issue of law involved in its jurisdictional basis. The Court of Appeals, in passing on the case, should not therefore have inquired into what the District Court *ought to have done* but only

into what the District Court *did do*, since the finality of the summary judgment below was already established.

The Court of Appeals' failure to accord to the summary judgment the force of *res judicata* on the issue of law involved in its jurisdictional basis conflicts with carefully reasoned decisions of this Court. In *Chicot County Drainage District* v. *Baxter State Bank*, 308 U. S. 371, the petitioner had pleaded a prior decree as *res judicata*, but the respondents contended that such effect could not be given to the decree because it had been entered under a jurisdictional statute which was later declared to be invalid. The respondents had not raised the jurisdictional point as to the validity of the statute in the earlier proceeding. The respondents' contention was disposed of in the opinion of the Court by Mr. Chief Justice Hughes, at pp. 377-378, in the following language:

> "There can be no doubt that if the question of the constitutionality of the statute had actually been raised and decided by the District Court in the proceeding to effect a plan of debt readjustment in accordance with the statute, that determination would have been final save as it was open to direct review upon appeal. * * *
>
> "The remaining question is simply whether respondents, having failed to raise the question in the proceeding to which they were parties and in which they could have raised it and had it finally determined, were privileged to remain quiet and raise it in a subsequent suit. Such a view is contrary to the well-settled principle that *res judicata* may be pleaded as a bar, not only as respects matters actually presented to sustain or defeat the right asserted in the earlier proceeding, 'but also as respects any other available matter which might have been presented to that end'."

Similar views as to the impropriety of subsequent reopening of jurisdictional issues are to be found in *Baldwin* v. *Iowa State Traveling Men's Assn.*, 283 U. S. 522, 524-526; *American Surety Co.* v. *Baldwin*, 287 U. S. 156, 166-167; *Stoll* v. *Gottlieb*, 305 U. S. 165, 171-177; *Angel* v. *Bullington*, 330 U. S. 183, 192-193; and *Sherrer* v. *Sherrer*, 334 U. S. 343, 349-350.

In the case at bar the District Court entered a partial summary judgment, which both the court and the parties considered as final under the Rules of Civil Procedure. The Court of Appeals now takes a different view as to the requirements of the Rules. But even if the Rules of Civil Procedure should now be declared totally void, the summary judgment which was entered thereunder would still stand as a final and binding adjudication of the issues involved therein. It was made by the court in the form of a final judgment, no appeal was taken, and as a matter of fact it was paid and satisfied of record. It is too late now for any party to raise the jurisdictional issue as to the propriety of its entry, an issue which has irrevocably passed *in rem judicatum*.

The finality of the summary judgment being thus established, there is no reason why issues on the merits involved in that judgment should not be finally settled thereby. A partial summary judgment of a District Court, when it is final, unappealed from and satisfied, disposes of issues between the parties no less completely or unequivocally than would a disposition of the issues under a final judgment in this Court.

The doctrine of *res judicata* would seem, if anything, to be *a fortiori* applicable to a summary judgment such as that in the case at bar. The parties are unquestionably the same. An examination of the complaint and answer (R. 12a, 46a, 58a), of the papers filed in particular con-

nection with the summary judgment itself, including affidavits of the parties (R. 66a-77a), and of the respondent's clear admissions on the record (R. 86a, 107a, 109a) shows that the question raised in the summary judgment proceeding was whether any valid defense had been interposed to the petitioner's claim for royalties arising out of certain Navy contracts: as to half of these royalties, issues of fact were involved, but as to the other half, the only defense interposed was the language of the royalty adjustment orders. The interpretation of these orders being simply a question of law, the court entered judgment for the petitioner after resolving the question of law in petitioner's favor. Petitioner contends that the decision of the legal question, as to whether the orders are applicable by their terms to royalties accrued before January 1, 1943, should be given the force of *res judicata* in the disposition of the remainder of the case. The petitioner obtained his summary judgment and payment thereof on the basis of a holding that the royalty adjustment orders were inapplicable to royalties accrued before January 1, 1943. The respondent cannot reopen that legal issue in subsequent proceedings involving the other royalties accrued before that date.

Though the situation might be different where intervening clarification and growth of legal principles make an earlier determination obsolete and potentially discriminatory (*cf. Commissioner of Internal Revenue* v. *Sunnen,* 333 U. S. 591, 599-600), there can be no doubt, under the applicable rulings of this Court, that a determination of an issue of law passed on in arriving at the first judgment must be given the force of *res judicata* in the subsequent proceedings: *Tioga R. R.* v. *Blossburg and Corning R. R.,* 20 Wall. 137, 142-143; *American Express Co.* v. *Mullins,* 212 U. S. 311, 314; *United States* v.

Moser, 266 U. S. 236, 240-242; *Fishgold* v. *Sullivan Drydock & Repair Corp.*, 328 U. S. 275, 282-283.

The Court of Appeals has failed to give the summary judgment in the case at bar the effect to which it is entitled, and its judgment in this particular should be reversed.

Conclusion

Because the Court of Appeals has rendered a decision in conflict with the decisions of other Courts of Appeals, has ~~erroneously~~ decided important questions of federal law which have not been, but should be, settled by this Court, and has decided federal questions in a way probably in conflict with applicable decisions of this Court, the writ of certiorari prayed for in this case should be granted. Because the decision is erroneous, it should be reversed.

Respectfully submitted,

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1948

NO. 478

ROSCOE A. COFFMAN, Petitioner

v.

FEDERAL LABORATORIES, INC., Respondent
UNITED STATES OF AMERICA, Intervenor

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Third Circuit.

REPLY BRIEF IN SUPPORT OF THE PETITION

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REPLY BRIEF IN SUPPORT OF THE PETITION

A full reply to the brief for the United States in opposition to our petition for a writ of certiorari is not necessary, because in our petition and original brief in support thereof we have met all of the Government's principal contentions. Only two matters require further comment.

The Government's brief is erroneous in saying (p. 14) that proceeding in the Court of Claims would not estop the petitioner from attacking the provision limiting the compensation recoverable on the ground that: "By suing in the Court of Claims he would not be seeking any license, franchise or special benefit conferred by the Act, a condition precedent to the interposition of an estoppel."

By suing in the Court of Claims the petitioner *would* be seeking a benefit conferred by the Act, namely, recovery against the United States, a benefit to which no law entitles him except Section 2 of the Royalty Adjustment Act, 56 Stat. 1013, 35 U.S.C. § 90. Without that section he would of course have no right to sue the United States, but only the right to sue the respondent for breach of contract. He is given the right to sue the United States only *cum onere*.

United States v. Causby, 328 U. S. 256, cited at p. 15 of the brief for the United States, does not indicate the existence of an alternative to suit under Section 2 of the Royalty Adjustment Act. The cases proving that the Court of Claims cannot give petitioner anything more than Section 2 allows are set forth at pp. 40-46 of the supplemental brief which we filed as *amici curiae* at No. 11 October Term, 1946, in *Alma Motor Co. v. Timken-Detroit Axle Co.*, 329 U. S. 129. The leading case is *Schillinger v. United States*, 155 U. S. 163, of which we said in that brief:

> "*Schillinger v. United States*, 155 U. S. 163, was a suit in the Court of Claims against the United States for the use of a patented invention by a government contractor. Mr. Justice Brewer, delivering the opinion of the Court, said at p. 166:
>
> > 'The United States cannot be sued in their courts without their consent, and in granting such consent Congress has an absolute discretion to specify the cases and contingencies in which the liability of the Government is submitted to the courts for judicial determination. Beyond the letter of such consent, the courts

may not go, no matter how beneficial they may deem or in fact might be their possession of a larger jurisdiction over the liabilities of the Government.'

The Court held that the claim sounded in tort and therefore recovery was not authorized under the Tucker Act of March 3, 1887, 24 Stat. 505, c. 359, which gave the Court of Claims jurisdiction over 'All claims founded upon the Constitution of the United States or any law of Congress, except for pensions, or upon any regulation of an Executive Department, or upon any contract, expressed or implied, with the Government of the United States, or for damages, liquidated or unliquidated, in cases not sounding in tort, in respect of which claims the party would be entitled to redress against the United States either in a court of law, equity, or admiralty if the United States were suable. * * *.' In interpreting this provision the opinion said at p. 168:

'It is said that the Constitution forbids the taking of private property for public uses without just compensation; that therefore every appropriation of private property by any official to the uses of the government, no matter however wrongfully made, creates a claim founded upon the Constitution of the United States and within the letter of the grant in the act of 1887 of the jurisdiction to the Court of Claims. If that argument be good, it is equally good applied to every other provision of the Constitution as well as to every law of Congress. This prohibition of the taking of private property for

> public use without compensation is no more sacred than that other constitutional provision that no person shall be deprived of life, liberty, or property without due process of law. Can it be that Congress intended that every wrongful arrest and detention of an individual, or seizure of his property by an officer of the government, should expose it to an action for damages in the Court of Claims? If any such breadth of jurisdiction was contemplated, language which had already been given a restrictive meaning would have been carefully avoided.' "

To show that *United States v. Causby, supra,* does not militate against the doctrine of the *Schillinger* case we need only quote again from that brief at pp. 46-49:

> "It will hardly be argued that the Court of Claims can disregard the limits set by the Royalty Adjustment Act upon recovery by the petitioner and give it under some other act, such as the Tucker Act, the full compensation guaranteed to it by the Constitution. No case holds that the Court of Claims can do so. In *United States v. Causby,* 328 U.S. 256, it is true, that court was held to have jurisdiction to allow recovery for a taking of land by frequent flying of planes over it at low levels by the United States, and Mr. Justice Douglas, delivering the opinion of the Court, said at p. 267:
>
> > 'If there is a taking, the claim is "founded upon the Constitution" and within the jurisdiction of the Court of Claims to hear and determine. See Hollister v. Benedict & Burnham Mfg. Co., 113 U. S. 59, 67, 5 S. Ct. 717, 721, 28 L.Ed.

901; Hurley v. Kincaid, 285 U. S. 95, 104, 52 S. Ct. 267, 269, 76 L.Ed. 637; Yearsley v. W. A. Ross Construction Co., 309 U. S. 18, 21, 60 S. Ct. 413, 415, 84 L.Ed. 554.'

It will be observed from an examination of each of the cases cited in the preceding sentence that the Court held that the Government had impliedly promised to pay just compensation for the property taken and that this implied promise was the basis for the remedy by suit in the Court of Claims. In the case at bar, however, by the Royalty Adjustment Act the Government has not promised to pay just compensation, but only just compensation taking into account conditions of wartime production, and subject to defenses which could not be asserted by the licensee. A promise to pay just compensation without restriction cannot be implied in the teeth of the restrictions imposed by the Act upon the payment of compensation.

"The opinion in the *Causby* case cannot be construed to mean that under the Tucker Act an implied contract is not the necessary basis for a suit for compensation for the taking of property. Certainly a tortious taking could not be the basis for such a suit. We submit that there was no intent to overrule *sub silentio* the doctrine of *Schillinger v. United States,* 155 U. S. 163, and the long line of cases following it, some of which are cited in the opinion of the Court, by Mr. Justice Brandeis, in *United States v. North American Transportation & Trading Co.,* 253 U. S. 330, at 335*.

"* See also *Gibbons v. United States,* 8 Wall. 269, 274; *Langford v. United States,* 101 U. S. 341,

"We believe that what was meant in the *Causby* case by the treatment of the point as to jurisdiction— a point not fully argued in the briefs or elaborated upon in the opinion of the Court—was this: In that case the circumstances were such that if a taking existed there would be an implied contract to pay for the land, and therefore the owners of the land taken could enforce their claim 'founded upon the Constitution' under the Tucker Act. The Court did not hold that the Tucker Act gives a right to recover for *any* denial of the guaranties of the Constitution. In any event, the decision was simply an interpretation of the Act under which suit had been brought. It did not hold that the Court of Claims could disregard limitations imposed by an Act of Congress. It could not follow from this decision that if the petitioner in the case at bar were to sue in the Court of Claims it could recover more than the limited amount allowed by the

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343-346; *Hill v. United States,* 149 U. S. 593, 598-599; *United States v. Berdan Fire-Arms Mfg. Co.,* 156 U. S. 552, 566; *Belknap v. Schild,* 161 U. S. 10, 17; *Russell v. United States,* 182 U. S. 516, 530; *Ribas y Hijo v. United States,* 194 U. S. 315, 323; *Harley v. United States,* 198 U. S. 229, 234; *Juragua Iron Co. v. United States,* 212 U. S. 297, 302-303, 309; *Crozier v. Krupp Aktiengesellschaft,* 224 U. S. 290, 303-304; *United States v. Societe Anonyme des Anciens Etablissements Cail,* 224 U. S. 309, 311; *Peabody v. United States,* 231 U. S. 530, 539; *Farnham v. United States,* 240 U. S. 537, 540; *Cramp & Sons Ship & Engine Bldg. Co. v. International Curtis Marine Turbine Co.,* 246 U. S. 28, 39-41; *Tempel v. United States,* 248 U. S. 121, 129-130; *Bliss Co. v. United States,* 253 U. S. 187, 190-191; *Lynch v. United States,* 292 U. S. 571, 582."

Royalty Adjustment Act. The Court of Claims could let it recover only under that Act. If, as we contend, that Act is unconstitutional, it could not recover under the Tucker Act or any other Act; for, except for the Royalty Adjustment Act, petitioner's right is simply a common law right of action against" the licensee.

Respectfully submitted,

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IN THE

Supreme Court of the United States

OCTOBER TERM 1948—No. 478

ROSCOE A. COFFMAN,
Petitioner,

vs.

FEDERAL LABORATORIES, INC.,
Respondent,

UNITED STATES OF AMERICA,
Intervenor.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE THIRD CIRCUIT.

RESPONDENT'S BRIEF IN OPPOSITION.

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IN THE

Supreme Court of the United States

OCTOBER TERM 1948—No. 478.

ROSCOE A. COFFMAN,
Petitioner,
vs.
FEDERAL LABORATORIES, INC.,
Respondent,
UNITED STATES OF AMERICA,
Intervenor.

RESPONDENT'S BRIEF IN OPPOSITION.

Preliminary Statement.

Petitioner's 1932 license agreement (24a)[1] contained provisions which assured him $5,000 annually either by way of royalties on the first 200 starters (25a), or combined royalties and salary (32a); otherwise petitioner could cancel the license at his option (32a).

Petitioner's proof showed respondent paid him $265,434.73 (Defendant's Appendix, 65a-68a) as follows:

1937	$ 5,000.00	
1938	9,861.79	
1939	4,767.16	
1940	6,394.44	
1941	21,528.82	
1942	112,956.06	
1943	44,416.00	
1944	50,000.00	
1937-1942	10,510.46	$265,434.73

This sum included all of the monies allowed petitioner under Royalty Adjustment Orders W-9 and N-7 (35a, 40a).

[1] The references are to the Plaintiff's Appendix unless otherwise noted.

Petitioner's claim of $677,829.30 (12a, 78a) here is in addition to the amounts paid as aforesaid. Petitioner's claim ignores the Royalty Adjustment Act (56 Stat. 1013, U. S. C. Title 35 Sections 89-96) and orders issued thereunder (35a, 40a).

Petitioner treats the Government's wartime manufacture or use of his patent pursuant to Section 6 of the Royalty Adjustment Act as though it were manufacture or use under his license agreement. For this use by the United States petitioner demands royalties at the contract rate.

All the use involved in this suit is use by the United States of America (117a-Finding 4). There was no dispute below that the manufactured articles would otherwise have been within the scope of the license agreement.

The large bulk of petitioner's claim, $609,927.84 (100a) arises after the effective date of the Royalty Adjustment Orders. The balance of $67,901.47 was for amounts accrued and unpaid prior to January 1, 1943 (99a), and was disputed except as to $1,749.26.

The trial court did not pass on the merits since all of it was for Government use and recovery was barred by the Royalty Adjustment Act.

The respondent, in spite of the immunity from suit given it by Section 1 of the Royalty Adjustment Act, has been subjected to great expense in defending itself from this protracted litigation[2] for which expense it is probably without any redress.

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[2] *Coffman* v. *Federal Laboratories, Inc.*, 323 U. S. 325, 65 S. Ct. 303;
Coffman v. *Federal Laboratories, Inc.*, 55 F. Supp. 501;
Coffman v. *Federal Laboratories, Inc.*, 73 F. Supp. 409;
Coffman v. *Federal Laboratories, Inc.*, F. 2d , CCA 3rd, November 9, 1948, No. 9549.

After a hearing accorded petitioner, the royalties provided in the license were adjudged unreasonable and excessive, Orders W-9 and N-7 (35a-40a). Petitioner offered no proof below to show either the reasonableness of the amounts provided in the license agreement, or the unreasonableness of the amount fixed in the orders for governmental wartime use.

Petitioner's claim against this respondent is barred by the statute. When proof of the operative facts (W-9, 35a; N-7, 40a) was made, the District Court was without jurisdiction to proceed further (R. A. A. Section 1).

Petitioner is not concluded by the amounts paid him under the Royalty Adjustment Orders, but if he is dissatisfied he must manifest his dissatisfaction by a suit against the Government in the Court of Claims for such additional sum as will give him fair and just compensation (Section 2). This respondent will not be a party to, nor will it have any interest in, that suit. It should be noted that petitioner makes no specific attack upon Section 1 which provides that he shall not have any remedy against respondent. Petitioner seeks to declare the entire statute invalid.

I.

The constitutional and other questions raised by the petitioner are too unsubstantial to require further argument.

In the Court of Appeals respondent conceded that the validity of the Royalty Adjustment Act under the Fifth Amendment was properly raised and that a decision of the constitutional question there was unavoidable. That court

after careful consideration affirmed the validity of the statute.[3] Our position here is that the constitutional and other questions now presented to this court are so unsubstantial as not to need further argument, and this court should exercise its discretion against the granting of a writ of certiorari.

A.

The Language of Section 2 of the Statute Cannot, As a Matter of Law, Limit the Court of Claims in its Ascertainment of Petitioner's Just Compensation under the Fifth Amendment.

Petitioner's claim of denial of just compensation is erected upon the premise that the language of Section 2 "taking into account the conditions of wartime production" is a limitation upon the power of the Court of Claims to grant petitioner the just compensation provided by the Fifth Amendment; therefore, he reasons, the statute is invalid and he should not have to go to the Court of Claims.

The major premise of this argument is an erroneous assumption of law. It has long been settled that Congress is without any authority to limit the just compensation provided in the Fifth Amendment. The matter of just compensation is *exclusively* a judicial function and courts ignore attempted legislative limitations. Such is the uniform course of decisions in this court and in the Court of Claims. *Monongahela Navigation Co.* v. *United States,* 148 U. S. 312, 13 S. Ct. 622, 627, 37 L. Ed. 463; *United States* v. *New River Collieries Co.,* 262 U. S. 341, 43 S. Ct.

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[3] *Coffman* v. *Federal Laboratories, Inc.,* F. 2d , CCA 3rd, November 9, 1948, No. 9549.

Rep. 565; *National City Bank* v. *United States,* District Court of New York 1921, 275 F. 855, affirmed 281 F. 754, error dismissed 44 S. Ct. 32, 263 U. S. 726, 68 L. Ed. 527.

Thus, in *Monongahela Navigation Co.* v. *U. S., supra,* this court held that the question as to what is "just compensation" for private property taken for public use is a judicial, and not a legislative question; and the provision in the act authorizing the condemnation of a lock and dam belonging to the Monongahela Navigation Company, 25 Stat. p. 411 "that in estimating the sum to be paid by the United States the franchise of said corporation to take tolls shall not be considered or estimated," does not preclude the court from giving compensation for such franchise.

And again, in *United States* v. *New River Colleries Co., supra,* this court held that the ascertainment of compensation for property taken by the Government under Lever Act, Section 10, 40 Stat. 279, is a judicial function, and no power exists in any other department of the Government to declare what the compensation shall be, or to prescribe any binding rule in that regard.

The Court of Claims similarly points out that the determination of just compensation under the Fifth Amendment is exclusively a judicial function and it is for that court to fix the rate of interest it will allow for property taken by the Government. *Walker* v. *United States,* 105 Court of Claims 553 (1946) 64 F. Supp. 135; *Arkansas Valley Railway Inc.* v. *United States,* 107 Court of Claims 240, 68 F. Supp. 727, Cert. Denied 67 S. Ct. 1083.

See also *United States* v. *Certain Parcels of Land in the City of Baltimore, State of Maryland,* 55 F. Supp. 257, to the same effect.

The cases cited by the petitioner[4] for the proposition that the Court of Claims is bound by the limitations in statutes where the Government consents to be sued do not involve just compensation under the Fifth Amendment for property taken. They deal with claims against the Government where the Government is under no constitutional duty to provide a judicial remedy. Since it is under no duty to provide a judicial remedy it may impose conditions to its consent to be sued. *United States* v. *Sherwood,* 312 U. S. 584, 587, 61 S. Ct. 767, 770.

The court below correctly held that there was a taking by the Government of an interest in petitioner's patent as well as an incidental taking of petitioner's claim for accrued and unpaid royalties for which the statute provides a remedy by suit in the Court of Claims against the Government for the compensation required by the Fifth Amendment. Just compensation is due process.

B.

There is No Conflict Between the Decision Below and the Decisions of Other Circuits.

Cold Metal Process Co. v. *McLouth Steel Corp.,* 79 U. S. Patent Quarterly 222 (C. C. A. 6th) does not deal with royalties covered by the statute but the question there was whether the statute excused the payment of interest on royalties not covered by it. The court held that there was nothing in the statute to show its effect was retroactive so as to suspend payment of interest on royalties not affected by the statute. This is an essentially different question from that decided by the court below.

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[4] Brief, page 34.

Biggins v. *Oltmer Iron Works,* 154 F. 2d 214, C. C. A. 7th, 1946, dealt with the question of whether or not a partial summary judgment was appealable. The court below in this case does not deal with that question, but was of opinion that the so-called summary judgment should be regarded as an order limiting issues as at a pretrial conference, subject to revision by the court at the time of the entry of the final judgment, and was not *res adjudicata* binding upon the trial judge as to the balance of the claim.

Conclusion.

Writ of certiorari should be denied.

Respectfully submitted,

THOMAS MCNULTY,
Counsel for Respondent.

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In the Supreme Court of the United States

OCTOBER TERM, 1948

No. 478

ROSCOE H. COFFMAN, PETITIONER

v.

FEDERAL LABORATORIES, INC., RESPONDENT

UNITED STATES OF AMERICA, INTERVENOR

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

BRIEF FOR THE UNITED STATES IN OPPOSITION

OPINIONS BELOW

The findings of fact (except Finding 14 [1]), conclusions of law and opinion of the District Court for the Western District of Pennsylvania (R. 110-122) are reported at 73 F. Supp. 409. The opinions of the United States Court of Appeals for the Third Circuit (R. 217-233) are reported at 171 F. 2d 94.

[1] Finding 14 (R. 121-122) was made a few days after the other findings, and hence was not reported.

JURISDICTION

The judgment of the United States Court of Appeals for the Third Circuit was entered November 9, 1948 (R. 233). The petition for a writ of certiorari was filed December 23, 1948. The jurisdiction of this Court is invoked under 28 U.S.C. 1254 (1).

QUESTIONS PRESENTED

1. Whether the Royalty Adjustment Act is valid as it here affects petitioner Roscoe A. Coffman, through the issuance of Royalty Adjustment Orders W-9 and N-7 by the War and Navy Departments respectively.

2. Whether, assuming the validity of the Royalty Adjustment Act, the Act and Orders W-9 and N-7 apply to royalties unpaid at the time notices were issued to petitioner, not only for governmental uses occurring between January 1, 1943, and the date of the notices, but also for such uses occurring prior to January 1, 1943, including those which took place before the Act's enactment on October 31, 1942.

STATUTE INVOLVED

The Royalty Adjustment Act (Act of October 31, 1942, 56 Stat. 1013, 35 U.S.C. 89-96) is set out in the Appendix, *infra*, pp. 25-30.

INTEREST OF THE UNITED STATES

It having been certified to the Attorney General by the District Court for the Western District of Pennsylvania that the validity of the Royalty Ad-

justment Act had been drawn into question by this suit, the United States intervened in order to support the validity of that Act and the Royalty Adjustment Orders W-9 and N-7 issued thereunder by the War Department and Navy Department respectively. The United States takes no position as to the merits of any claims that petitioner and respondent may assert against each other, except insofar as the validity of the Royalty Adjustment Act and Orders bear thereon.

STATEMENT

By complaints filed on June 14, 1944, and April 24, 1945, respectively in the United States District Court for the Western District of Pennsylvania, petitioner, Roscoe A. Coffman, sought to recover from respondent, Federal Laboratories, Inc., patent royalties allegedly due petitioner under a basic licensing agreement dated December 8, 1932. In its first complaint, petitioner sought recovery of royalties allegedly due him from respondent for each year from 1937 through December 31, 1943, and prayed for an accounting and judgment for the amount found due (R. 1, 12-20). Respondent's answer denied many of petitioner's allegations (R. 46-51), admitted that some royalties were due on certain Navy contracts prior to December 31, 1942, as well as for 1943 (R. 51), but pleaded specially that Royalty Adjustment Orders W-9 and N-7 issued by the War and Navy Departments, respec-

tively, in December 1943, pursuant to the Royalty Adjustment Act (Appendix, *infra,* pp. 25-30), prohibited it from making these payments except in the amounts provided in the Orders (R. 52). The second complaint sought recovery of unpaid royalties for the year beginning January 1, 1944 (R. 9, 78-81). Respondent, while denying some of the allegations there made (R. 82-83), again pleaded that Orders W-9 and N-7 prohibited payment to petitioner except the maximum amount of $50,000 allowed by these Orders, which respondent admitted as being due (R. 82-83). The complaints as originally filed challenged the constitutionality of the Royalty Adjustment Act; a special three-judge court was convened and the United States was permitted to intervene; the special court struck from the complaint the anticipatory allegations of unconstitutionality, which order was affirmed by this Court on January 2, 1945. *Coffman* v. *Federal Laboratories,* 323 U.S. 325. Following the filing of answers, the question of constitutionality was at issue. 323 U.S. at 327. The two suits were consolidated on March 14, 1947 (R. 108). After hearing the evidence, the district court entered findings of fact which may be summarized as follows (R. 110-116, 121-122):

By an agreement dated December 8, 1932, petitioner, the sole owner of certain patents relating to starters for internal combustion engines and

cartridges to be used in these starters, granted respondent a non-assignable and exclusive license to make, use, and sell starters and cartridges under petitioner's patents (R. 110-111). In return for this license, respondent agreed to pay $5,000 for the first 200 devices made and a "license fee or royalty equal to six percent (6%) of the Licensee's net selling price on all devices and parts thereof sold" (R. 111).

On February 24, 1943, the Navy Department, and on March 3, 1943, the War Department gave notice to the petitioner and respondent pursuant to the Royalty Adjustment Act that the royalties provided for in this agreement were believed to be unreasonable and excessive and that until the making of an appropriate royalty adjustment order, no further royalties should be paid to petitioner (R. 112). Thereafter, the Secretary of the Navy on December 23, 1943, and the Secretary of War on December 18, 1943, issued Royalty Adjustment Orders N-7 and W-9, respectively, authorizing respondent to pay petitioner the fair and just amount of royalties there fixed, *i.e.*, $8 for each starter sold to or for either the War or Navy Department and zero royalties for parts and cartridges, "but not to exceed the sum of Fifty Thousand Dollars ($50,000) to be paid to Licensor in each calendar year commencing January 1, 1943, in respect of starters sold to or for the War Department and

Navy Department, added together" (R. 37, 41-42, 113). These Orders also directed respondent to pay the excess of royalties over the rates allowed to the Treasurer of the United States (R. 37-38, 42-43, 113-114).

Petitioner, on October 31, 1944, moved for partial summary judgment for the sums admitted to be due, as to which he claimed there was no genuine issue of any material fact (R. 114). Respondent, on November 13, 1944, filed an affidavit in opposition thereto (R. 3, 67). The court, in an order dated December 15, 1944,[2] allowed partial summary judgment in the amount of $10,516.46 for royalties due prior to January 1, 1943, $28,052.10 for royalties for 1943 and stated that "Royal[ty] Adjustment Orders W-9 and N-7 allow said amounts to be paid to [petitioner] by [respondent] and that [petitioner] is entitled to a judgment as a matter of law for that portion of his claim" (R. 114-115). This judgment has been satisfied (R. 5).

The court further found that if the Royalty Adjustment Act had not been passed and Orders W-9 and N-7 had not been issued (R. 121-122), the following additional unpaid royalties would be due to petitioner from respondent (R. 116):

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[2] This order was amended on January 23, 1945, pursuant to the stipulation of petitioner and respondent, in respects not here relevant (R. 77).

Period	Amount	Total
Jan. 1, 1937 through Oct. 30, 1942	$ 55,655.50	
Oct. 31, 1942 through Dec. 31, 1942	12,245.97	
		$ 67,901.47
Jan. 1 to Feb. 23, 1943— Navy	14,305.31	
Jan. 1 to Mar. 2, 1943— Army	2,128.09	
Feb. 24 to Dec. 22, 1943— Navy	153,819.75	
Mar. 3 to Dec. 17, 1943— Army	14,422.68	
Dec. 23 to Dec. 31, 1943— Navy	8,695.98	
Dec. 18 to Dec. 31, 1943— Army	68.38	
	193,440.19	
Civilian Sales—1943:		
Jan. 1 to Feb. 23	109.92	
Feb. 24 to Dec. 22	1,832.24	
	1,942.16	
Total for 1943		$ 195,382.35
January 1 to Dec. 31, 1944		414,545.48
Grand Total		$ 677,829.30

All sales were for government use, with the possible exception of a small item of $1,942.16, a large but indeterminate part of which the court found was also for government use. If any part thereof

was for non-government use, the evidence, the district court found, does not disclose the amount thereof (R. 116).

The district court concluded that the Royalty Adjustment Act applies to all sales for government use and that under that Act exclusive jurisdiction is conferred on the Court of Claims (R. 117).[3] It further concluded that the Royalty Adjustment Orders applied to the sales made during 1943 and 1944 and to those prior thereto for which royalties had not been paid, and that the summary judgment order of December 15, 1944, was not *res judicata* on that question (R. 117). Accordingly, regarding itself as bound by the prior decision of the Third Circuit Court of Appeals in *Timken-Detroit Axle Co.* v. *Alma Motor Co.*, 144 F. 2d 714, reversed on other grounds, 329 U. S. 129, wherein the constitutionality of the Act was sustained, the court ordered judgment for respondent (R. 121).

On appeal, the court below affirmed (R. 231, 233). It held that the Act and Orders W-9 and N-7 applied to all royalties unpaid on the dates the notices were issued, including not only unpaid royalties which had accrued since January 1, 1943, the date set in the Orders for the imposition of the $50,000 ceiling on royalties, but those which had accrued prior thereto, whether prior or subsequent to Oc-

[3] For the reason that the amounts involved exceed $10,000. 28 U. S. C. 1346(a)(2).

tober 31, 1942, when the Act was enacted (R. 224). The court referring to Rules 54 (a), (b), and 56 (d) of the Federal Rules of Civil Procedure further held that the partial summary judgment of December 15, 1944 was not *res judicata* (R. 219-224). As to petitioner's contention that the provision of Section 2, that the Court of Claims in fixing just and fair compensation, shall take into account the conditions of wartime production, "loads the Court of Claims litigation with an unconstitutional provision" (R. 225), the court stated:

> * * * we have no way of knowing ahead of time what disposition the Court of Claims will make in Coffman's case or any other. We can conceive of a case where conditions of wartime production might, in fairness, require adherence to the original license terms. Possibly a case may exist where conditions of wartime production might call for more than the price stipulated in the license agreement. Until the patentee sees what the Court of Claims is going to give him, we do not see how he is in a position to say that his wings are unconstitutionally clipped. (R. 225).

On this basis, the court held it could affirm the district court's judgment (R. 226). Since "counsel for the appellant has in complete good faith argued the case on a wider basis" (R. 226), the court, over

the objection of one of the judges,[4] went on to consider and to sustain the constitutionality of that provision; it held, citing, among others, *Lichter* v. *United States,* 334 U. S. 742 (R. 227):

> * * * The war power extends across the full breadth of the economic life of the nation, justifying price and rent control, and renegotiation of contracts for the purpose of recapturing excessive profits. Legislation purporting to minimize the cost of war by securing the necessary materials at reasonable prices is not less a part of the general war effort than the procurement of goods of war themselves. The subject-matter and purpose of the Royalty Adjustment Act are therefore clearly within the war power of Congress.

ARGUMENT

The primary question petitioner seeks to raise is the constitutionality of the provision in Section 2 of the Royalty Adjustment Act that the Court of Claims in fixing just and fair compensation shall take "into account the conditions of wartime production." But that issue, we submit, is not presented by this case, since petitioner has not invoked the Court of Claims remedy and, until it is known

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[4] While concurring in the court's judgment, one judge objected to passing on the constitutionality of this provision on the ground that the constitutional question was "not within our competence. A valid provision leaves the amount of compensation to be fixed by the Court of Claims. If that Court, in accordance with or in disregard of the questioned clause, grant 'just compensation,' no constitutional right will have been infringed" (R. 232).

what disposition that court will make of such claims, "we do not see how he is in a position to say that his wings are unconstitutionally clipped" (R. 225). The sole constitutional question actually presented here is whether the substitution of the United States as the party defendant, and the Court of Claims for a district court as the tribunal for adjudicating petitioner's claim to royalties, is within the power of Congress. In this aspect, the Act is clearly constitutional. Moreover, even on the broader constitutional question, this Court's recent decision in *Lichter* v. *United States*, 334 U. S. 742, sustaining the constitutionality of the allied Renegotiation Act, removes any doubts as to the constitutionality of the Royalty Adjustment Act in that respect. The other questions petitioner raises, *i.e.*, the scope and construction of the Act and Royalty Adjustment Orders W-9 and N-7, are subsidiary to the constitutional question and in any case were correctly decided below. In these circumstances, further review by this Court, we submit, is unwarranted.

1. *Constitutionality of the Act.* (a) Section 1 of the Royalty Adjustment Act (Appendix, *infra*, pp. 25-26) directs that after the effective date of a notice from the head of a government agency that the royalties paid under a license for a patented device manufactured, used or sold for the United States are excessive, the licensee is not to pay the licensor any royalties in excess of the amount specified in

the order of the head of the government agency as fair and just. It deprives the licensor of "any remedy * * * against the licensee for the payment of any additional royalty remaining unpaid" except for the recovery of royalties specified in the Royalty Adjustment Order. For the remedy thus taken away by Section 1, Section 2 substitutes a suit against the United States "to recover such sum, if any, as when added to the royalties fixed and specified in such order, shall constitute fair and just compensation to the licensor for the manufacture, use, sale, or other disposition of the licensed invention for the United States, taking into account the conditions of wartime production."[5] Appendix, *infra,* pp. 26-27.

As here applied, the effect of the Royalty Adjustment Act through Orders W-9 and N-7 is merely to deprive the licensor of any remedy against his licensee for the payment of unpaid royalties in excess of the amount specified in these Orders, and to remit the licensor to a suit against the United States in the Court of Claims for whatever additional compensation he believes himself entitled to. Such a provision is clearly constitutional, since "The particular remedy existing at the date of the [license] may be altogether abrogated if another equally effective for the enforcement of

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[5] In this suit, "the United States may avail itself of any and all defenses, general or special, that might be pleaded by a defendant in an action for infringement." *Ibid.*

the obligation remains or is substituted for the one taken away." *Richmond Corp.* v. *Wachovia Bank,* 300 U. S. 124, 128-129; see, also, *Block* v. *Hirsch,* 256 U. S. 135, 158; *Anniston Mfg. Co.* v. *Davis,* 301 U. S. 337; *Honeyman* v. *Hanan,* 302 U. S. 375; *Honeyman* v. *Jacobs,* 306 U. S. 539, 542; *Yearsley* v. *Ross Construction Co.,* 309 U. S. 18, 22.

(b) There is no occasion in this proceeding to pass on the constitutionality of the provision in Section 2 of the Act, requiring the Court of Claims in fixing just and fair compensation, to take "into account the conditions of wartime production." It is unknown at this time what construction or effect the Court of Claims will give to that language. The Court of Claims may conceivably so construe that language as to award to petitioner an amount equal to the stipulated royalties which the Act prevents petitioner from recovering from his licensee. In these circumstances, any ruling upon these provisions of the Act would involve entering "into a purely speculative inquiry for the purpose of condemning statutory provisions which have not been tried out and the effect of which cannot now be definitely perceived." *Anniston Mfg. Co.* v. *Davis,* 301 U. S. 337, 355. Courts "will not 'anticipate a question of constitutional law in advance of the necessity of deciding it,'" and they "will not 'formulate a rule of constitutional law broader than is required by the precise facts to which it is

to be applied.' " Brandeis, J. concurring in *Ashwander* v. *Tennessee Valley Authority*, 297 U. S. 288, 346-347. See, also, *Coffman* v. *Breeze Corporations*, 323 U. S. 316; *Coffman* v. *Fed. Laboratories*, 323 U. S. 325; *Alma Motor Co.* v. *Timken Co.*, 329 U. S. 129;[6] and *Rescue Army* v. *Municipal Court*, 331 U. S. 549, 568, *et seq.*

Petitioner's contentions do not require a different result. Proceeding in the Court of Claims would not, as he urges (Pet. 34), estop him from attacking that provision. By suing in the Court of Claims he would not be seeking any license, franchise or special benefit conferred by the Act, a condition precedent to the interposition of an estoppel. *Fahey* v. *Mallonee*, 332 U. S. 245, 255; *Central Nebraska Public Power & Irr. Dist.* v. *Federal Power Commission*, 160 F. 2d 782, 784-5 (C. A. 8), certiorari denied, 332 U. S. 765. And hence "no constitutional right could have been prejudiced" by proceeding in accordance with the Act. *St. Louis, &c. R. Co.* v. *Public Comm'n*, 279 U. S. 560, 563; cf. *Lawrence* v. *St. Louis-San Francisco Ry. Co.*, 274 U. S. 588, 592; *Aircraft & Diesel Corp.* v. *Hirsch*, 331 U. S. 752; *Wade* v. *Stimson*, 331 U. S.

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[6] In the *Alma Motor* case, this Court refused to pass on constitutionality of the Act because of the presence of a nonconstitutional ground which might be dispositive of the litigation. The soundness of this approach is exemplified by the fact that the Third Circuit so resolved that litigation. *Timken-Detroit Axle Co.* v. *Alma Motor Co.*, 163 F. 2d 190.

793.[7] Nor would the limitations imposed by the sovereign immunity doctrine require, as petitioner contends (Pet. 33-34), the Court of Claims to restrict his recovery to an amount less than that to which he is constitutionally entitled. If that court should hold Section 2 of the Act unconstitutional, it could nevertheless allow the full recovery required by the Constitution under 28 U. S. C. 1491 (formerly 28 U. S. C. 250(1)), vesting general jurisdiction in the Court of Claims to entertain suits against the United States founded upon the Constitution, including suits for just compensation under the Fifth Amendment. Cf. *United States* v. *Causby*, 328 U. S. 256, 267.

(c) This Court's decision in *Lichter* v. *United States*, 334 U. S. 742, sustaining the constitutionality of the Renegotiation Acts has put to rest whatever doubts there might have been as to the constitutionality of Section 2. The Royalty Adjustment and the Renegotiation Acts are, as this Court has recognized, allied legislation (*Aircraft & Diesel Corp.* v. *Hirsch*, 331 U. S. 752, 754), and although the method of controlling excessive profits on license agreements utilized in the Royalty Adjustment Act differs somewhat from the

[7] In the *Aircraft* and *Wade* cases, this Court required contractors who sought to attack the constitutionality of Renegotiation Acts to exhaust their statutory Tax Court remedy. Similar rulings have also been issued in the case of other statutes. *Myers* v. *Bethlehem Corp.*, 303 U. S. 41, 50; *Newport News Co.* v. *Schauffler*, 303 U. S. 54, 56; *United States* v. *Ruzicka*, 329 U. S. 287, 294.

technique adopted in the Renegotiation Acts, the purpose and objective of the Acts were the same, *i.e.*, to eliminate excessive profits resulting from the conditions of wartime production.[8] Hence, since "the recovery by the Government of excessive profits received or receivable upon war contracts is in the nature of the regulation of maximum prices under war contracts" (334 U. S. at 787), the Royalty Adjustment Act, like the Renegotiation Acts, is a valid exercise of the war power, as "a law 'necessary and proper for carrying into Execution' the war powers of Congress and especially the power to support armies" (334 U. S. at 758).

Petitioner further asserts that the Royalty Adjustment Act is unconstitutional if applied to royalties accrued on sales for government use but unpaid (1) before the promulgation of Orders W-9 and N-7, (2) before the giving of the royalty adjustment notices, or (3) before the enactment of the Royalty Adjustment Act (Pet. p. 10). This contention has already been determined adversely to the petitioner in *Lichter* v. *United States, supra,* at 789, where this Court stated:

> We uphold the right of the Government to recover excessive profits on each of the contracts before us. This right exists as to such excessive profits whether they arose from con-

[8] Certiorari was granted in the *Alma Motor Co.* v. *Timken Co.*, 329 U. S. 129, before the decision in the *Lichter* case.

> tracts made before or after the passage of the Act. A contract is equally a war contract in either event and, if uncompleted to the extent that the final payment has not yet been made, the recovery of excessive profits derived from it may be authorized as has been done here.

A fortiori, the Royalty Adjustment Act may be applied validly to royalties accruing but unpaid after the enactment of the Act but before the issuance of the royalty adjustment notices or orders.[9]

2. *Construction of the Act and Orders:* (a) Contrary to petitioner's contention (Pet. 12-14, 27-31), the holding below that the Act applied to all royalties unpaid at the time of giving notice, regardless of whether the governmental uses involved occurred prior or subsequent to the Act's enactment on October 31, 1942, accords with the plain language of Section 7 of the Act. Appendix, *infra,* pp. 28-29. The phrase "already delivered" in that Section making the Act applicable to "all royalties charged or chargeable * * * to the United States for supplies, equipment, or materials *already delivered* to or for the Government which royalties have not been paid to the licensor prior

[9] Until the Court of Claims determines the scope of the provision, i.e., whether unpaid royalties for uses in 1937 and thereafter were affected by the "conditions of wartime production," the extent of the retroactivity presented by this case is unclear. This fact, we think, further illustrates that the constitutionality of Section 2 is not ripe for adjudication in the present posture of the case.

to the effective date of the notice" (italics supplied), could only refer to the deliveries occurring prior to the Act's enactment.

Reference to the legislative history of the provision confirms this construction. Section 7 originally limited the scope of the Act to royalties for materials "delivered to or for the Government from and after the date of the approval hereof" (S. Rep. No. 1640 on S. 2794, 77th Cong., 2d sess., p. 8; Hearings before House Committee on Patents, on H. R. 7620, 77th Cong., 2d sess., pp. 2, 6-7). The Senate Committee on Patents amended Section 7 to make it applicable to "all royalties * * * for * * * materials already delivered to or for the Government which royalties have not been paid to the licensor prior to the effective date of this Act" (S. Rep. No. 1640, *supra,* p. 6). This amendment was adopted on the War Department's recommendation "to extend the application of the bill * * * to royalties unpaid at the time of enactment of the bill as well as to those which become payable thereafter" (S. Rep., *supra,* p. 5, see Hearings, *supra,* p. 20). The House Committee on Patents then converted Section 7 into its present form (H. Rep. No. 2602 on S. 2794, 77th Cong., 2d sess., p. 2). This was done for the rather obvious purpose of permitting licensees to pay royalties due without exposing themselves to the risk of double payment. The Committee made it perfectly clear, however, that it did not intend

to exempt "all royalties remaining unpaid at the date of the passage of the act," pointing out that such royalties would "be carefully scrutinized by the various interested Government departments and agencies" and would be subject to the Act if they had "not been paid to the licensor prior to the effective date of such notice" (H. Rep., *supra,* p. 3). See, also, *Timken-Detroit Axle Co.* v. *Alma Motor Co.,* 144 F. 2d 714, 718 (C.A. 3), reversed on another ground, 329 U. S. 129; cf. *Alma Motor Co.* v. *Timken-Detroit Axle Co.,* Journal of this Court, Oct. Term 1944, pp. 254-255 (May 21, 1945) (order restoring case to docket for reargument on specific questions).[10]

(b) Orders W-9 and N-7 are by their express terms applicable "on account of any manufacture, use, sale or other disposition of said alleged inventions for the Navy [War] Department heretofore occurred" (R. 37, 42). Petitioner's claims that the partial summary judgment obtained by it should have been accepted as *res judicata,* relates to the contention advanced below, but not pressed here, that Royalty Adjustment Orders W-9 and N-7 applied only to royalties accruing on and after January 1, 1943, the date set in the Orders on

[10] The statement to the contrary in *Cold Metal Process Co.* v. *McLouth Steel Corp.,* 170 F. 2d 369, 380 (C. A. 6), relied on by petitioner (Pet. 12-13, 27-28) was in connection with a minor issue in a complicated litigation in regard to the proper construction of a patent license agreement between the parties (the United States was not a party to this proceeding) and apparently without benefit of the pertinent materials.

which an overall ceiling of $50,000 per annum on royalties was to go into effect.[11] The rejection below of this claim is, we submit, sound and not in conflict with *Biggins* v. *Oltmer Iron Works*, 154 F. 2d 214 (C.A. 7).

Assuming that the district court had in its partial summary judgment construed Orders W-9 and N-7 not to apply to royalties accruing before 1943,[12] that judgment involved at most an adjudication as to only one of several claims which petitioner was asserting against respondent and which stemmed from the same basic license agreement and series of transactions. The other claims which petitioner was then asserting and against which respondent also interposed the Royalty Adjustment Orders as a defense were not at that time ripe for adjudication inasmuch as respondent was relying on additional defenses as well. In these cir-

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[11] In the court below, petitioner, relying principally on the clause "but not to exceed the sum of Fifty Thousand ($50,000) Dollars to be paid to Licensor in each calendar year commencing January 1, 1943 * * *" in the Orders urged that properly construed, Orders W-9 and N-7 applied to only those royalties which accrued after January 1, 1943. The court below held, and respondent does not now question that holding, that January 1, 1943, merely marked the date on which the fifty thousand dollar limitation became effective, and the Orders applied to all royalties accrued but unpaid on the date of the notice, including royalties accrued prior to January 1, 1943 (R. 224).

[12] As the court below points out, it is not clear that the district court's grant of partial summary judgment was based on this construction of the Royalty Adjustment Orders (R. 220).

cumstances, the interpretation embodied in the partial summary judgment did not involve a definitive and final construction of the Royalty Adjustment Orders, applicable to all claims for unpaid royalties accruing before January 1, 1943, and which, if erroneous, would be corrected only by way of appeal.

Indeed, the order could not have been appealed, at least, as far as the United States was concerned, since it was not a judgment within the meaning of Rule 54(a) of the Federal Rules,[13] nor does it satisfy the requirements of Section 128 of the Judicial Code, 28 U.S.C. 1291 (formerly 28 U.S.C. 225(a)) relating to appeals. *Biggins* v. *Oltmer Iron Works*, 154 F. 2d 214 (C.A. 7). On the contrary, as is clear from the language of Rules 54(b), 56(d) of the Federal Rules of Civil Procedure, the order, its designation to the contrary notwithstanding (cf.

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[13] Sec. 128 of Judicial Code permits appeals of a "final decision" which generally is one ending the litigation on the merits and leaving nothing for the Court to do but execute the judgment. See *Catlin* v. *United States*, 324 U. S. 229, 233, where this Court took a stand against "piecemeal litigation." Moreover, although Rule 54(a) defines judgment as "any order from which an appeal lies," and separate appeals may in some instances be taken, the claims in those situations are separate and distinct, based on differing occurrences or transactions. *Canister Co.* v. *National Can Corp.*, 163 F. 2d 683 (C. A. 3). The matter involved in the partial summary judgment here does not meet these requirements. Cf. *Canister Co.* v. *National Can Corp., ibid; Petrol Corp.* v. *Petroleum Heat & Power Co., Inc.*, 162 F. 2d 327, 329 (C. A. 2); see Advisory Committee's Note to F. R. 54(b) (June, 1946), pp. 70-72.

Biggins v. *Oltmer Iron Works, supra*), was "merely a pretrial adjudication that certain issues in the case shall be deemed established for the trial of the case." See *Leonard* v. *Socony-Vacuum Oil Co.*, 130 F. 2d 535, 536 (C.A. 7) quoting 3 Moore's Federal Practice (1st ed., 1938) 3190; Advisory Committee's Note to F. R. 56(d) (June 1946), pp. 74-75.[14] Such a partial summary judgment order is only provisional, not final; it is expressly subject to modification at the trial to prevent manifest injustice. *Audi Vision, Inc.* v. *RCA Mfg. Co.*, 136 F. 2d 621, 625 (C.A. 2); cf. *Toomey* v. *Toomey*, 149 F. 2d 19 (C. A. D. C.). Accordingly, the preliminary adjudication made in the so-called partial summary judgment is not *res judicata* even as to the matters so adjudicated, let alone other matters in the same proceeding involving the same issues. The district court retains the full power to make one complete adjudication on all

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[14] Rule 54(b) as recently amended emphasizes the provisional nature of such an order. It explicitly provides:

"When more than one claim for relief is presented in an action * * *, the court may direct the entry of a final judgment upon one or more but less than all of the claims only upon an express determination that there is no just reason for delay and upon an express direction for the entry of judgment. In absence of such determination and direction, any order or other form of decision, however designated, which adjudicates less than all the claims shall not terminate the action as to any of the claims, and the order or other form of decision is subject to revision at any time before the entry of judgment adjudicating all the claim."

aspects of the case when the proper time arrives, including review of preliminary determinations previously made. Cf. *Audi Vision, Inc.* v. *RCA Mfg. Co., ibid.*

Biggins v. *Oltmer Iron Works,* 154 F. 2d 214 (C.A. 7) is not, contrary to petitioner's assertion (Pet. 17-19, 36-37), in conflict with the foregoing. The Seventh Circuit there expressly recognized the provisional preliminary nature of a partial summary judgment, but regarded itself confronted with a practical dilemma. In that case, "execution was ordered upon the instant judgment and no doubt defendant's property was subject to seizure in satisfaction thereof. At the same time, part of plaintiff's claim remains in litigation" (154 F. 2d at 217). If the court there refused to review the partial summary judgment until final disposition of the case, the defendant's property would be gone by that time, and hence "defendant's right of review," the court noted, "would be of doubtful value." (154 F. 2d at 218). Accordingly, in order to solve this practical problem not contemplated by the Federal Rules of Civil Procedure, the Seventh Circuit denied the motion to dismiss the appeal. The practical solution to the dilemma confronting the Seventh Circuit does not, we submit, create a conflict with the holding below calling for an authoritative ruling by this Court.

CONCLUSION

The decision below is correct and accords with the rulings of this Court on related matters. It is respectfully submitted, therefore, that the petition for a writ of certiorari should be denied.

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FEBRUARY, 1949.

APPENDIX

The Royalty Adjustment Act of October 31, 1942 (56 Stat. 1013, 35 U. S. C. 89-96) reads as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, to aid in the successful prosecution of the War, whenever an invention, whether patented or unpatented, shall be manufactured, used, sold or otherwise disposed of for the United States, with license from the owner thereof or anyone having the right to grant licenses thereunder, and such license includes provisions for the payment of royalties the rates or amounts of which are believed to be unreasonable or excessive by the head of the department or agency of the Government which has ordered such manufacture, use, sale, or other disposition, the head of the department or agency of the Government concerned shall give written notice of such fact to the licensor and to the licensee. Within a reasonable time after the effective date of said notice, in no event less than ten days, the head of the department or agency of the Government concerned, shall by order fix and specify such rates or amounts of royalties, if any, as he shall determine are fair and just, taking into account the conditions of wartime production, and shall authorize the payment thereof by the licensee to the licensor on account of such manufacture, use, sale, or other disposition: *Provided, however,* That the licensee or licensor, if he so requests within ten days from and after the effective date of said notice, may within thirty days

from the date of such request present in writing or in person any facts or circumstances which may, in his opinion, have a bearing upon the rates or amounts of royalties, if any, to be determined, fixed and specified as aforesaid, and any order fixing and specifying the rates and amounts of royalties shall be issued within a reasonable time after such presentation. Such licensee shall not after the effective date of said notice pay to the licensor, nor charge directly or indirectly to the United States a royalty, if any, in excess of that specified in said order on account of such manufacture, use, sale, or other disposition. The licensor shall not have any remedy by way of suit, set-off or other legal action against the licensee for the payment of any additional royalty remaining unpaid, or damages for breach of contract or otherwise, but such licensor's sole and exclusive remedy, except as to the recovery of royalties fixed in said order, shall be as provided in section 2 hereof. Written notice as provided herein shall be mailed to the last known address of the licensor and licensee and shall be effective upon receipt or five days after the mailing thereof, whichever date is the earlier.

SEC. 2. Any licensor aggrieved by any order issued pursuant to section 1 hereof, fixing and specifying the maximum rates or amounts of royalties under a license issued by him, may institute suit against the United States in the Court of Claims, or in the District Courts of the United States insofar as such courts may have concurrent jurisdiction with the Court of

Claims, to recover such sum, if any, as when added to the royalties fixed and specified in such order, shall constitute fair and just compensation to the licensor for the manufacture, use, sale, or other disposition of the licensed invention for the United States, taking into account the conditions of wartime production. In any such suit the United States may avail itself of any and all defenses, general or special, that might be pleaded by a defendant in an action for infringement as set forth in title sixty of the Revised Statutes, or otherwise.

SEC. 3. The head of any department or agency of the Government which has ordered the manufacture, use, sale, or other disposition of an invention, whether patented or unpatented, and whether or not an order has been issued in connection therewith pursuant to section 1 hereof, is authorized and empowered to enter into an agreement, before suit against the United States has been instituted, with the owner or licensor of such invention, in full settlement and compromise of any claim against the United States accruing to such owner or licensor under the provisions of this Act or any other law by reason of such manufacture, use, sale, or other disposition, and for compensation to be paid such owner or licensor based upon future manufacture, use, sale, or other disposition of said invention.

SEC. 4. Whenever a reduction in the rates or amounts of royalties is effected by order, pursuant to section 1 hereof, or by compromise or settlement, pursuant to section 3 hereof, such

reduction shall inure to the benefit of the Government by way of a corresponding reduction in the contract price to be paid directly or indirectly for such manufacture, use, sale, or other disposition of such invention, or by way of refund if already paid to the licensee.

SEC. 5. The head of the department or agency of the Government concerned is further authorized, in his discretion and under such rules and regulations as he may prescribe, to delegate and provide for the delegation of any power and authority conferred by this Act to such qualified and responsible officers, boards, agents, or persons as he may designate or appoint.

SEC. 6. For the purposes of this Act, the manufacture, use, sale, or other disposition of an invention, whether patented or unpatented, by a contractor, a subcontractor, or any person, firm, or corporation for the Government and with the authorization or consent of the Government shall be construed as manufacture, use, sale, or other disposition for the United States and for the purposes of the Act of June 25, 1910, as amended (40 Stat. 705; 35 U. S. C. 68), the use or manufacture of an invention described in and covered by a patent of the United States by a contractor, a subcontractor, or any person, firm, or corporation for the Government and with the authorization or consent of the Government, shall be construed as use or manufacture for the United States.

SEC. 7. This Act shall apply to all royalties

directly or indirectly charged or chargeable to the United States for any supplies, equipment, or materials to be delivered to or for the Government from and after the effective date of the notice provided for in section 1 hereof. This Act shall also apply to all royalties charged or chargeable directly or indirectly to the United States for supplies, equipment, or materials already delivered to or for the Government which royalties have not been paid to the licensor prior to the effective date of the notice provided for in section 1 hereof. Sections 1 and 2 of this Act shall remain in force only during the continuance of the present war and for six months after the termination thereof, except that as to rights accrued or liabilities incurred prior to termination thereof, the provisions of this Act shall be treated as remaining in force and effect for the purpose of settling, sustaining, qualifying, or defeating any suit or claim hereunder.

SEC. 8. The head of each department or agency of the Government may issue such rules and regulations and require such information as may be necessary and proper to carry out the provisions of this Act. The provisions of section 10 (*l*) of an Act approved July 2, 1926 (44 Stat. 787), as amended, and title XIII of Public Law 507, Seventy-seventh Congress, shall be applicable to the owner, licensor, or licensee of an invention, whether patented or unpatented, manufactured, used, sold, or otherwise disposed of for the United States,

and the term "defense contract" as used in said Act shall mean and include an agreement for the payment of royalty, regardless of the date of such agreement, under or by virtue of which royalty is directly or indirectly paid by the Government or included within the contract price for property sold to or manufactured for the Government.

SEC. 9. Nothing herein contained shall be deemed to preclude the applicability of Section 403 of Public Law 528, Seventy-seventh Congress, as the same may be heretofore or hereafter amended so far as the same may be applicable.

SEC. 10. If any provision of this Act or the application of any provision to any person or circumstances shall be held invalid, or if any provision of this Act shall be inoperative by its terms, the validity or applicability of the remainder of the Act shall not be affected thereby.

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